

Notes to the Accounts

12 Fixed assets

Group

	Land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
Cost or valuation						
At 1st January 2000	23,519	9,580	5,611	1,127	1,526	41,363
Additions	—	3,404	6,035	416	236	10,091
Revaluation movements						
— charged to profit and loss account	(7,508)	—	—	—	—	(7,508)
— transferred to revaluation reserve	(2,511)	—	—	—	—	(2,511)
At 31st December 2000	13,500	12,984	11,646	1,543	1,762	41,435
Accumulated depreciation						
At 1st January 2000	3,770	7,024	4,618	225	1,061	16,698
Charge for the year	804	2,076	1,722	329	281	5,212
Revaluation movements						
— charged to profit and loss account	(1,657)	—	—	—	—	(1,657)
— transferred to revaluation reserve	(2,917)	—	—	—	—	(2,917)
At 31st December 2000	—	9,100	6,340	554	1,342	17,336
Net book value:						
At 31st December 2000	13,500	3,884	5,306	989	420	24,099
At 31st December 1999	19,749	2,556	993	902	465	24,665
The analysis of the cost or valuation at 31st December 2000 of the above assets is as follows:						
At cost	—	12,984	11,646	1,543	1,762	27,935
At 2000 valuation	13,500	—	—	—	—	13,500
	13,500	12,984	11,646	1,543	1,762	41,435

Notes to the Accounts

12 Fixed assets (Continued)

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	4,900	10,999
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	8,600	8,750
	13,500	19,749

The above land and building were revalued on an open market value basis as at 4th January 2001 by Chesterton Petty Limited, an independent firm of professional valuers, on the basis of their open market value. There is no material difference between the market value at 31st December 2000 and 4th January 2001.

- (b) The carrying amount of the land and building would have been HK\$18,945,000 (1999: HK\$19,749,000) had they been stated at cost less accumulated depreciation.
- (c) At 31st December 2000, the net book value of fixed assets held by the Group under finance leases amounted to HK\$676,000 (1999: HK\$902,000).
- (d) At 31st December 2000, the net book value of fixed assets pledged as security for the Group's long-term loans amounted to HK\$4,900,000 (1999: HK\$10,999,000) (Note 24).

Notes to the Accounts

13 Investment in subsidiaries

	Company 2000 HK\$'000
Investment at cost:	
Unlisted shares	16,000

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

Name	Place of incorporation / establishment	Principal activities and place of operation	Particulars of issued share capital / registered capital	Interest held	
				2000	1999
Direct interest:					
Glory Access Limited	British Virgin Islands ("BVI")	Investment holding in BVI	2,051,282 ordinary shares of US\$1 each	100%	100%
Indirect interest:					
Midland Management Limited	BVI	Provision of sub-contracting services and trading of raw materials in Macau	12,902 ordinary shares of US\$1 each	100%	100%
Wallmark Enterprise Company Limited	Hong Kong	Trading of handbag Products and related accessories and raw materials in Hong Kong	180,500 ordinary shares of HK\$100 each	100%	100%
惠州和寶手袋有限公司 Hui Zhou Wallmark *	PRC	Manufacturing of handbag products and related accessories in PRC	Registered capital HK\$10,000,000	100%	90%

+ For identification purposes only

Notes to the Accounts

14 Inventories

	Group	
	2000	1999
	HK\$'000	HK\$'000
Finished goods	6,710	5,000
Work in progress	523	1,609
Raw materials	20,885	16,496
	28,118	23,105

At 31st December 2000, no inventories were carried at net realisable value (1999: HK\$ Nil).

15 Trade and other receivables

At 31st December 2000, the ageing analysis of the trade receivables were as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current to 30 days	28,916	27,737
31-60 days	10,783	786
61-90 days	1,574	17
Over 90 days	669	48
	41,942	28,588

Customers are generally granted credit terms of 30 to 60 days.

16 Amount due to a subsidiary

The amount due to a subsidiary is interest free and has no fixed terms of repayment.

Notes to the Accounts

17 Amount due from directors

Name of directors	Group	
	2000 HK\$'000	1999 HK\$'000
Mr Wong Chor Wo	—	15,735
Mr Wong Chor Sang	—	1,328
	<u>—</u>	<u>17,063</u>

The amounts were unsecured and interest free, and were repayable on demand.

For Mr Wong Chor Wo, the maximum amounts due from him during the years ended 31st December 2000 and 1999 were HK\$35,305,000 and HK\$35,131,000 respectively.

For Mr Wong Chor Sang, the maximum amounts due from him during the years ended 31st December 2000 and 1999 were HK\$7,349,000 and HK\$5,509,000 respectively.

18 Bank balances and cash

Included in bank balances and cash of the Group as at 31st December 2000 were HK\$4,244,000 (1999: HK\$305,000) which were held by a subsidiary in the PRC and the remittance of these funds out of PRC is subject to exchange control regulations.

19 Trade and other payables

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Current to 30 days	4,391	4,590
31-60 days	6,791	5,231
61-90 days	2,906	2,378
Over 90 days	105	353
	<u>14,193</u>	<u>12,552</u>

Notes to the Accounts

20 Share capital

	Company 2000 HK\$'000
<i>Authorised</i>	
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>
<i>Issued and fully paid</i>	
160,000,000 ordinary shares of HK\$0.1 each	<u>16,000</u>
<p>(a) The Company was incorporated in the Cayman Islands on 6th September 2000 with an authorised capital of HK\$350,000 divided into 3,500,000 shares of HK\$0.1 each. Two shares were issued to the subscribers on the date of incorporation.</p> <p>(b) On 20th October 2000, the directors were authorised to allot and issue eight shares which rank pari passu with the existing shares in all respects. The shares were issued to a then shareholder of Glory Access.</p> <p>(c) In preparation for the listing of the Company's shares on Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 29th December 2000:</p> <p style="padding-left: 40px;">(i) the authorised share capital of the Company was increased from HK\$350,000 to HK\$100,000,000 by the creation of an additional 996,500,000 shares of HK\$0.1 each, to rank pari passu with the existing shares in all respects; and</p> <p style="padding-left: 40px;">(ii) as consideration for the acquisition by the Company of the entire issued capital of Glory Access, now an intermediate holding company of the Group, an aggregate of 159,999,990 shares of the Company, credited as fully paid, were allotted and issued to the then shareholders of Glory Access.</p> <p>(d) Subsequent to 31st December 2000, an additional 40,000,000 shares of HK\$0.1 each of the Company were issued at the subscription price of HK\$1.00 per share pursuant to a public offer and placing of shares.</p> <p>(e) The share capital presented in the consolidated balance sheet as at 31st December 1999 represents the share capital of the Company, arising on incorporation and from the share swap transaction described in notes (a), (b) and (c) (ii) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation referred to in note 1.</p>	

Notes to the Accounts

20 Share capital (Continued)

- (f) Under a share option scheme approved by the shareholders of the Company, the Directors of the Company may, at their discretion, invite full-time employees of the Group, including full-time Executive Directors of the Group, to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the share option scheme). No share option was granted by the Company during the year.

21 Reserves

	Properties revaluation reserve	Group Merger reserve	Statutory reserves	Retained earnings	Total
	HK\$'000	(note a) HK\$'000	(note b) HK\$'000	HK\$'000	HK\$'000
At 1st January 1999	—	—	—	13,159	13,159
Merger reserve arising on the exchange of shares pursuant to the Reorganisation	—	2,150	—	—	2,150
Profit for the year	—	—	—	26,498	26,498
Dividends	—	—	—	(21,449)	(21,449)
At 31st December 1999	<u>—</u>	<u>2,150</u>	<u>—</u>	<u>18,208</u>	<u>20,358</u>
At 1st January 2000	—	2,150	—	18,208	20,358
Transfer from retained earnings	—	—	2,223	(2,223)	—
Surplus on revaluation	406	—	—	—	406
Goodwill written off	—	—	—	(1,975)	(1,975)
Profit for the year	—	—	—	32,818	32,818
Dividends	—	—	—	(42,360)	(42,360)
At 31st December 2000	<u>406</u>	<u>2,150</u>	<u>2,223</u>	<u>4,468</u>	<u>9,247</u>

Notes to the Accounts

21 Reserves (Continued)

- (a) The merger reserve of the Group represents the difference between the nominal value of the shares issued and the nominal value of shares of the subsidiaries acquired pursuant to the Reorganisation is accounted for as merger reserve as at 31st December 1999.
- (b) Statutory reserves comprise enterprise expansion and general reserve funds represent funds set up by the subsidiary company established and operating in the PRC and form part of the shareholders' funds. According to the relevant PRC regulations, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.

22 Long-term liabilities

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bank loans - secured	887	2,555
Obligations under finance leases	513	733
	1,400	3,288
Current portion of long-term liabilities	(780)	(1,480)
	620	1,808

At 31st December 2000, the Group's bank loans and obligations under finance leases were repayable as follows:

	Secured bank loans		Obligations under finance leases	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	560	1,260	220	220
In the second year	327	1,260	220	220
In the third to fifth year	—	35	73	293
	887	2,555	513	733

Notes to the Accounts

23 Notes to the consolidated cash flow statement

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

	2000 HK\$'000	1999 HK\$'000
Operating profit	39,653	33,936
Depreciation of owned fixed assets	4,986	4,607
Depreciation of leased fixed assets	226	225
Interest expense on bank loans and overdrafts	6,953	4,750
Interest expense on finance leases	59	40
Revaluation deficit on fixed assets not covered by previous surpluses	5,851	—
Interest income	(1,243)	(432)
(Increase)/decrease in inventories	(5,013)	6,582
Increase in trade and other receivables	(16,649)	(21,127)
Decrease in amounts due from directors	17,063	11,544
Increase/(decrease) in trade and other payables	8,213	(2,412)
Net cash inflow from operating activities	60,099	37,713

(b) Analysis of changes in financing during the year

	Bank loans		Loans and obligations under finance leases	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At 1st January	2,555	3,816	733	—
Net repayment during the year	(1,668)	(1,261)	(220)	(394)
Inception of finance leases	—	—	—	1,127
At 31st December	887	2,555	513	733

Notes to the Accounts

23 Notes to the consolidated cash flow statement (Continued)

(c) Major non-cash transaction

- (i) During the year ended 31st December 2000, the Group had waived a receivable of HK\$1,000,000 from a minority shareholder as part of the consideration for the purchase of additional interest in a subsidiary.
- (ii) During the year ended 31st December 1999, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$1,127,000.

24 Banking facilities

The Group had aggregate banking facilities of approximately HK\$116,126,000 as at 31st December 2000 (1999: HK\$108,626,000) in respect of overdrafts, term loans and other trade finance facilities. These facilities were secured by certain land and buildings of the Group (Note 12(d)) , personal property, personal guarantee given by certain directors of the Company and fixed deposits of the Group.

The banks had agreed in principle that the guarantees given by certain directors of the Company would be released upon the listing of the shares of the Company on the Stock Exchange and be replaced by corporate guarantees to be given by the Company.

Banking facilities utilised at 31st December 2000 amounted to approximately HK\$63,529,000 (1999: HK\$58,547,000).

25 Commitments

Capital commitments for plant and equipment

	Group	
	2000	1999
	HK\$'000	HK\$'000
Contracted but not provided for	420	—
Authorised but not contracted for	330	—
	<hr/>	<hr/>
	750	—
	<hr/>	<hr/>

Notes to the Accounts

26 Related party transactions

Apart from the Reorganisation and those disclosed in note 17 and 24, no other material related party transactions were entered into by the Group during the years ended 31st December 2000 and 1999.

27 Subsequent events

The following transactions took place subsequent to 31st December 2000:

- (a) Subsequent to 31st December 2000, 40,000,000 shares of the Company were issued at par value of HK\$0.10 each for HK\$1.00 per share pursuant to public offer and placing of shares. Subsequent to the new shares issued the Company's issued share capital is HK\$20,000,000 comprising 200,000,000 shares. The shares were listed on the Stock Exchange on 16th January 2001. The share premium from the new share issue after deducting the share issue expenses was approximately HK\$27,479,000.
- (b) In February 2001, Wallmark Enterprise Company Limited, a wholly owned subsidiary of the Company, has entered into an agreement in connection with the acquisition of land and construction of a new factory in Hui Zhou, PRC at a total consideration of HK\$25,759,000. The construction is expected to be completed in August 2002.

28 Ultimate holding company

The directors regard Wisechoice Assets Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company.

29 Approval of accounts

The accounts were approved by the board of directors on 18th April 2001.