

Notes to the Accounts

1 *Principal accounting policies*

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts are prepared under the historical cost convention as modified by the revaluation of land use rights and leasehold properties, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, except for some of the subsidiaries which were accounted for using merger accounting as a result of the group reorganisation took place in 1999.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Accounts

1 Principal accounting policies (continued)

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is taken to reserves in the year of acquisition.

(d) Property, plant and equipment

Properties represent interests in land and buildings (including land use rights) are stated at valuation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the balance sheet date. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Other tangible fixed assets are stated at cost less accumulated depreciation and amortisation.

Land use rights are amortised on a straight-line basis over the land use rights period. Depreciation on leasehold land and leasehold improvements is calculated to write off their cost over the unexpired periods of the leases or where appropriate, the expected useful lives to the Group whichever is shorter. The principal annual rates range from 5% to 15%. Construction in progress is stated at cost and not depreciated.

Other fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold buildings	5%
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Notes to the Accounts

1 *Principal accounting policies (continued)*

(d) Property, plant and equipment *(continued)*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(e) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

Notes to the Accounts

1 *Principal accounting policies (continued)*

(g) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost of raw material is calculated on the first-in, first-out basis by reference to invoiced value. Cost of work in progress and finished goods, calculated on the first-in, first-out basis, comprise materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

(i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The assets, liabilities, revenue and expense of the accounts of a subsidiary expressed in foreign currencies are translated at the rates of exchange ruling at the date on which the amounts recorded in the accounts was established. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are retranslated at the rate at the balance sheet date, and any resulting exchange difference is taken to the profit and loss account.

Notes to the Accounts

1 *Principal accounting policies (continued)*

(j) Revenue recognition

Revenue from the provision of fabric processing services is recognised on the completion of the process, which generally coincides with the time when goods are delivered to customers.

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(k) Retirement benefit costs

The Group's contributions to the defined contribution scheme are expensed as incurred.

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Notes to the Accounts

2 Revenue and turnover

The Group is principally engaged in the provision of fabric processing and sales of fabric. Revenues recognised during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Turnover		
Fabric processing	97,791	178,730
Sales of fabric	23,619	17,414
	121,410	196,144
Other revenues		
Sales of scrap and defective products	3,103	7,916
Interest income	2,679	1,460
	5,782	9,376
Total revenues	127,192	205,520

An analysis of the Group's turnover and contribution to operating (loss)/profit for the year by principal activities and markets is as follows:

	Turnover		Operating (loss)/profit	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal activities				
Fabric processing	97,791	178,730	(13,801)	52,090
Sales of fabric	23,619	17,414	709	457
	121,410	196,144	(13,092)	52,547
Principal markets				
Hong Kong	107,432	191,651	(12,319)	51,507
PRC	13,978	4,493	(773)	1,040
	121,410	196,144	(13,092)	52,547

Notes to the Accounts

3 Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	2000 HK\$'000	1999 HK\$'000
Crediting		
Net exchange gain	—	1,235
Profit on dissolution of subsidiaries	272	—
Charging		
Loss on disposal of fixed assets	1,992	724
Deficit on revaluation of properties	—	806
Depreciation	12,487	11,664
Staff costs (including Directors' remuneration)	12,538	11,824
Cost of inventories sold	19,848	13,053
Operating leases — land and buildings	996	712
Retirement benefit costs (including contributions to Directors) — note 8	249	146
Auditors' remuneration	792	840
Net exchange loss	458	—

4 Finance costs

	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts	2,502	2,336
Interest on other loans wholly repayable within five years	18	719
Interest element of finance leases	—	7
	2,520	3,062

Notes to the Accounts

5 Taxation credit/(charge)

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax	—	(6,441)
PRC taxation	—	(1,205)
Deferred taxation (<i>note 20</i>)	210	(120)
	210	(7,766)

No Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for the year. Hong Kong profits tax had been provided at the rate of 16% on the estimated assessable profit for the prior year.

A subsidiary established and operated in Zhongshan City, Guangdong Province, the PRC is subjected to a preferential income tax of 24% on its taxable income. The subsidiary is also granted full exemption from the PRC income tax for two years from its first profit-making year of operations (being the year ended 31st December 1997) followed by a 50% reduction in income tax rate (i.e. 12%) for the next three years. No PRC tax has been provided in the accounts as the Group has no profit subject to PRC income tax during the year.

Notes to the Accounts

6 *(Loss)/profit attributable to shareholders*

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$339,000 (1999: loss of HK\$211,000).

7 *(Loss)/earnings per share*

The calculation of basic loss (1999: earnings) per share is based on the Group's loss attributable to shareholders of HK\$15,402,000 (1999: profit attributable to shareholders of HK\$41,719,000) and on the weighted average of 197,540,983 (1999: 150,000,000) ordinary shares in issue during the year.

In determining the weighted average number of shares deemed to be in issue for both 2000 and 1999, 55,457,238 shares issued as consideration for the acquisition by the Company of the issued capital of Ching Hing (BVI) Limited were deemed to have been in issue on 1st January 1999, and the capitalisation issue of 92,542,762 shares as referred to in note 16(d) to the accounts has been accounted for.

8 *Retirement benefit costs*

The Group contributes to defined contribution retirement schemes which are available to all full time employees in Hong Kong and employees who are registered residents of Nantou Town, Zhongshan City, the PRC. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries.

The Group's contributions to the retirement scheme which is available to Hong Kong employees are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$77,000 (1999: HK\$161,000) were utilised during the year and there was no outstanding forfeited contribution as at 31st December 2000.

For the mandatory provident fund ("MPF Scheme"), the Group's contributions are at 5% of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31st December 2000 if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Notes to the Accounts

9 Directors' and senior management's emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees	180	—
Other emoluments:		
Basic salaries	3,000	1,964
Discretionary bonuses	—	1,007
Contributions to pension schemes	150	90
	3,330	3,061

Directors' fees of HK\$180,000 (1999: HK\$nil) were paid to independent non-executive directors during the year.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2000	1999
HK\$Nil — HK\$1,000,000	4	5
HK\$1,000,001 — HK\$1,500,000	2	1

During the year, three non-executive directors have each waived their emoluments of HK\$20,000 (1999: nil).

Notes to the Accounts

9 Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (1999: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (1999: three) individuals during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Basic salaries	1,776	1,219
Discretionary bonuses	370	453
Contributions to pension schemes	69	48
	2,215	1,720

The emoluments of the above employees fell within the following band:

Emoluments bands	Number of individuals	
	2000	1999
HK\$Nil — HK\$1,000,000	2	3
HK\$1,000,001 — HK\$1,500,000	1	—

Notes to the Accounts

10 Fixed assets

	Group							
	Construction in progress HK\$'000	Land use rights outside Hong Kong HK\$'000	Leasehold land and buildings outside Hong Kong HK\$'000	Leasehold Improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:								
At 1st January 2000	5,395	6,045	32,555	6,186	93,356	5,981	5,192	154,710
Additions	12,543	—	—	1,186	5,623	276	385	20,013
Disposals	—	—	—	(128)	(6,028)	(1,098)	(22)	(7,276)
At 31st December 2000	17,938	6,045	32,555	7,244	92,951	5,159	5,555	167,447
Accumulated depreciation:								
At 1st January 2000	—	—	—	1,132	39,417	3,734	4,207	48,490
Charge for the year	—	121	1,606	320	9,181	688	571	12,487
Disposals	—	—	—	(44)	(3,685)	(1,098)	(22)	(4,849)
At 31st December 2000	—	121	1,606	1,408	44,913	3,324	4,756	56,128
Net book value:								
At 31st December 2000	17,938	5,924	30,949	5,836	48,038	1,835	799	111,319
At 31st December 1999	5,395	6,045	32,555	5,054	53,939	2,247	985	106,220
The analysis of the cost or valuation at 31st December 2000 of the above assets is as follows:								
At cost	17,938	—	—	7,244	92,951	5,159	5,555	128,847
At 1999 valuation	—	6,045	32,555	—	—	—	—	38,600
	17,938	6,045	32,555	7,244	92,951	5,159	5,555	167,447
The analysis of the cost or valuation at 31st December 1999 of the above assets is as follows:								
At cost	5,395	—	—	6,186	93,356	5,981	5,192	116,110
At 1999 valuation	—	6,045	32,555	—	—	—	—	38,600
	5,395	6,045	32,555	6,186	93,356	5,981	5,192	154,710

Notes to the Accounts

10 Fixed assets (continued)

- (a) The Group has land use rights with lease terms from 50 to 64 years.
- (b) The Group's interests in leasehold properties are under lease terms of between 10 to 50 years.
- (c) Land use rights and leasehold properties were revalued at 31st October 1999 on the basis of open market value in existing use carried out by Chesterton Petty Limited, an independent firm of chartered surveyors. In the opinion of the Directors, there was no material difference in respect of the fair value of such land use rights and leasehold properties as at 31st December 2000 if a professional valuation was made on that date.
- (d) The carrying amount of the land use rights and leasehold properties would have been HK\$24,989,000 (1999: HK\$26,482,000) had they been stated at historical cost less accumulated depreciation.
- (e) At 31st December 2000, the net book value of fixed assets pledged as security for the Group's bank loans amounted to HK\$40,509,000 (1999: HK\$41,536,000).

11 Investments in subsidiaries — Company

	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	126,627	126,627
Amount due from/(to) a subsidiary	44,934	(16)
	171,561	126,611

Notes to the Accounts

11 Investments in subsidiaries — Company (continued)

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

Name of company	Country/place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable equity interest %	Principal activities
Shares held directly:				
Ching Hing (BVI) Limited	British Virgin Islands	HK\$287,286.19	100	Investment holding
Shares held indirectly:				
Ching Hing Weaving Dyeing & Printing Factory Limited	Hong Kong	Non-voting deferred shares HK\$55,000,000 Ordinary HK\$2	100	Provision of fabric processing services and sales of cotton fabric
中山正興紡織廠有限公司 (Zhongshan Ching Hing Weaving Factory Limited)	PRC	US\$9,500,000	100	Provision of fabric processing services and sales of cotton fabric
Ching On Textiles Limited	Hong Kong	Ordinary HK\$2	100	Sales of cotton fabric
Huge Victory Management Limited	Samoa	Ordinary US\$3	100	Dormant
Glamour International Limited	Samoa	Ordinary US\$3	100	Dormant

Notes to the Accounts

12 Inventories

	Group	
	2000 HK\$'000	1999 HK\$'000
Raw materials	15,114	10,047
Work in progress	1,693	4,475
Finished goods	7,512	8,126
Stock in transit	219	816
	24,538	23,464

At 31st December 2000, obsolete inventories of HK\$3,503,000 (1999: HK\$3,673,000) have been fully provided for. No other inventories were stated at net realisable value.

13 Trade and other receivables

	Group	
	2000 HK\$'000	1999 HK\$'000
Trade receivables (<i>note (a)</i>)	31,144	46,157
Prepayments and deposits	1,966	6,607
Other receivables	4,493	935
	37,603	53,699

Notes to the Accounts

13 Trade and other receivables (continued)

- (a) The majority of the Group's turnover are under credit terms of up to 45 days. As at 31st December 2000, the ageing analysis of the trade receivables were as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Current	11,076	14,935
30-60 days	8,761	16,026
61-90 days	5,827	11,841
Over 90 days	5,480	3,355
	31,144	46,157

14 Deposits with bank, bank balances and cash

Included in the deposits with bank, bank balances and cash of the Group are deposits placed with banks in the PRC of approximately HK\$5,023,000 (1999: HK\$6,260,000). At 31st December 2000, time deposits of HK\$12,480,000 (1999: HK\$12,050,000) was pledged in connection with banking facilities granted to the Group.

Notes to the Accounts

15 Trade and other payables

	Group	
	2000 HK\$'000	1999 HK\$'000
Trade payables (note (a))	21,529	24,494
Other payables	1,206	2,264
Accruals	3,319	5,358
	26,054	32,116

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Current	3,059	6,145
30-60 days	1,243	4,596
61-90 days	909	2,397
Over 90 days	16,318	11,356
	21,529	24,494

Notes to the Accounts

16 Share capital

	Authorised	
	Ordinary shares of HK\$0.05 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 8th July 1999 (<i>note (a)</i>)	2,000,000	100
Increase in authorised ordinary share capital (<i>note (b)(i)</i>) in 1999	998,000,000	49,900
At 31st December 1999 and 2000	1,000,000,000	50,000

	Issued and fully paid	
	Ordinary shares of HK\$0.05 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 8th July 1999 (<i>note (a)</i>)	2,000,000	—
Issue of shares (<i>note (b)(ii)</i>)	55,457,238	2,873
At 31st December 1999	57,457,238	2,873
Issue of shares in 2000 (<i>note (c) and (d)</i>)	142,542,762	7,127
At 31st December 2000	200,000,000	10,000

- (a) The Company was incorporated in Bermuda on 8th July 1999 with an authorised share capital of HK\$100,000 divided into 2,000,000 shares of HK\$0.05 each, all of which were allotted and issued at nil paid to Jarak Assets Limited on 9th July 1999.

Notes to the Accounts

16 Share capital (continued)

- (b) In the preparation for a listing of the Company's shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange"), the following changes in authorised and issued share capital took place on 29th December 1999:
- (i) the authorised capital of the Company was increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 998,000,000 shares;
 - (ii) an aggregate of 55,457,238 shares of HK\$0.05 each were allotted and issued as fully paid as consideration for the acquisition by the Company of the entire issued share capital of Ching Hing (BVI) Limited.
- (c) On 19th January 2000, a new issue of 50,000,000 shares of HK\$0.05 each at HK\$1.10 per share was allotted and issued for cash to the public (the "New Issue") upon the listing of the Company's shares on the Stock Exchange. The net proceeds of the New Issue of approximately HK\$44,840,000 have been used to finance the expansion and for general working capital of the Group.
- (d) Immediately following the New Issue, the sum of HK\$4,627,000 credited to the share premium account as a result of the New Issue was capitalized and applied in paying up in full at par 92,542,762 shares of HK\$0.05 each for allotment and issued to holders of shares on the register of members of the Company at the close of business on 29th December 1999 in proportion to their then respective shareholdings in the Company.

17 Share option

On 29th December 1999, a share option scheme had been adopted by the Company under which the Board may, at its discretion, invite any full-time employee (including executive directors but excluding independent non-executive directors) of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. At 31st December 2000, no option had been granted or agreed to be granted under the share option scheme.

Notes to the Accounts

18 Reserves

	Group					
	Share premium	Properties revaluation reserves	Statutory reserves	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 1999	—	—	3,436	—	13,630	17,066
Reserves arising on group reorganisation (note (a))	—	—	—	52,127	—	52,127
Goodwill on acquisition of subsidiaries	—	—	—	(293)	—	(293)
Surplus on revaluation	—	12,924	—	—	—	12,924
Profit for the year	—	—	—	—	41,719	41,719
Transfer to statutory reserve	—	—	4,175	—	(4,175)	—
At 31st December 1999	—	12,924	7,611	51,834	51,174	123,543
Premium on issue of shares (note 16(c))	52,500	—	—	—	—	52,500
Share issue expenses	(10,163)	—	—	—	—	(10,163)
Capitalisation issue (note 16(d))	(4,627)	—	—	—	—	(4,627)
Loss for the year	—	—	—	—	(15,402)	(15,402)
At 31st December 2000	37,710	12,924	7,611	51,834	35,772	145,851

Notes to the Accounts

18 Reserves (continued)

	Company			
	Share premium <i>HK\$'000</i>	Contributed surplus (Note (b)) <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Contributed surplus arising on group reorganisation	—	123,754	—	123,754
Loss for the period	—	—	(211)	(211)
At 31st December 1999	—	123,754	(211)	123,543
Premium on issue of shares (note 16(c))	52,500	—	—	52,500
Share issue expenses	(10,163)	—	—	(10,163)
Capitalisation issue (note 16(d))	(4,627)	—	—	(4,627)
Loss for the year	—	—	(339)	(339)
At 31st December 2000	37,710	123,754	(550)	160,914

- (a) Reserve arising on group reorganisation represents the difference between the nominal value of the shares of subsidiaries acquired, including the non-voting deferred shares, and the nominal value of the shares issued by the Company as consideration thereof.
- (b) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

Notes to the Accounts

19 Long-term liabilities

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bank loans wholly repayable within five years		
— secured	643	3,190
Other loans wholly repayable within five years		
— secured	—	2,312
	643	5,502
Current portion of long-term liabilities	(643)	(2,516)
	—	2,986

At 31st December 2000, the Group's bank loans and overdrafts and other borrowings were repayable as follows:

	Bank loans, bank overdrafts including trust receipt loans		Other loans		Total	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	37,939	29,660	—	2,312	37,939	31,972
In the second year	—	2,986	—	—	—	2,986
	37,939	32,646	—	2,312	37,939	34,958

Notes to the Accounts

20 Deferred taxation

	Group	
	2000 HK\$'000	1999 HK\$'000
At 1st January	210	90
Transfer (to)/from profit and loss account (note 5)	(210)	120
At 31st December	—	210
Provided for in respect of:		
Accelerated depreciation allowances	—	210

The Group had no material unprovided deferred taxation as at 31st December 2000 and 1999.

21 Notes to the consolidated cash flow statement

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

	2000 HK\$'000	1999 HK\$'000
Operating (loss)/profit	(13,092)	52,547
Profit on dissolution of subsidiaries	(272)	—
Depreciation charge	12,487	11,664
Deficit arising on properties revaluation	—	806
Loss on disposal of fixed assets	1,992	724
Increase in inventories	(1,074)	(12,203)
Decrease in trade and other receivables (including amount due from a director which was repaid in 1999)	16,096	9,568
Decrease in trade and other payable (including amount due to shareholders, directors and related companies which were repaid in 1999)	(6,062)	(13,416)
Interest income	(2,679)	(1,460)
Net cash inflow from operating activities	7,396	48,230

Notes to the Accounts

21 Notes to the consolidated cash flow statement

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank loans		Other loans and obligations under finance leases	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	—	—	17,227	14,037	2,312	5,028
Net proceeds arising from shares issued	44,837	—	—	—	—	—
Bank loans raised	—	—	28,203	14,037	—	—
Repayment of bank loans	—	—	(16,584)	(10,847)	—	—
Repayment of other loans	—	—	—	—	(2,312)	(2,666)
Repayment of capital element of finance leases	—	—	—	—	—	(50)
At 31st December	44,837	—	28,846	17,227	—	2,312

(c) Purchase of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired		
Amounts due from related companies	—	9,153
Bank balances and cash	—	2
Trade and other payable	—	(227)
Taxation payable	—	(5,818)
	—	3,110
Goodwill	—	293
Satisfied by cash	—	3,403

Notes to the Accounts

21 Notes to the consolidated cash flow statement (continued)

(c) Purchase of subsidiaries (continued)

Analysis of net outflow of the purchase of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Cash consideration	—	3,403
Bank balances and cash of acquired subsidiaries	—	(2)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	—	3,401

22 Contingent liabilities

	Company	
	2000 HK\$'000	1999 HK\$'000
Guarantees for bank loans of subsidiaries	39,000	—

23 Commitments

(a) Capital commitments

At 31st December 2000, the Group had capital commitments for purchase of plant and machinery contracted but not provided for amounted to HK\$5,054,000 (1999: HK\$1,150,000).

Notes to the Accounts

23 Commitments (continued)

(b) Commitments under operating leases

At 31st December 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	2000 HK\$'000	1999 HK\$'000
Within one year	104	720
In the second to fifth year inclusive	—	156
	104	876

24 Related party transactions

Significant related party transactions, which were carried out in accordance with tenancy agreements entered into between the Group and a related company are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Rental paid to a related company	840	660

The related company is beneficially owned by Mr Yiu Ching On, a director of the Company.

25 Subsequent event

On 27th March 2001, the Group acquired approximately 66% interest in a subsidiary which is engaged in the trading of garments and clothings at a consideration of HK\$10,000,000. The consideration was paid by a cash settlement of HK\$6,000,000 and an issue of 9,302,326 Company's new shares at HK\$0.43 per share.

26 Approval of accounts

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