

NOTES TO FINANCIAL STATEMENTS

31 December 2000

19. CASH AND CASH EQUIVALENTS

	Group		Company
	2000	1999	2000
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	17,712	755	13,278
Bank deposits	10,005	-	10,005
	<u>27,717</u>	<u>755</u>	<u>23,283</u>

20. TRADE AND BILLS PAYABLE

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bills payable	944	895
Trade payables	11,064	2,861
	<u>12,008</u>	<u>3,756</u>

The ages of the Group's trade and bills payable as at 31 December 2000 are analysed as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current to 30 days	8,680	1,813
31 days to 60 days	133	1,511
61 days to 90 days	4	326
91 days to 180 days	3,118	106
Over 180 days	73	-
	<u>12,008</u>	<u>3,756</u>

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21. BALANCE WITH A DIRECTOR AND A RELATED COMPANY

Particulars of the amounts due from a director and a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	As at 1 January 2000 HK\$'000	Maximum amount outstanding during the year HK\$'000	As at 31 December 2000 HK\$'000
Director:			
Mr. Lau	-	38,351	-
Related company:			
Inviting Finance Limited ("IFL")	-	5,317	5,317

The amount due from a related company represented the portion of share issue expenses payable by IFL, a company wholly owned by Mr. Choi. The balance was unsecured, interest-free and was fully repaid by IFL subsequent to the balance sheet date.

The balance with a director was unsecured, interest-free and was fully settled during the year.

22. INTEREST-BEARING BORROWINGS, SECURED

	2000 HK\$'000	Group 1999 HK\$'000
Bank overdrafts	11,056	10,729
Trust receipt loans	6,988	5,483
Bank loans	5,345	6,308
	23,389	22,520
Non - current portion of bank loans	(4,298)	(5,345)
Current portion of interest - bearing borrowings	19,091	17,175

	2000 HK\$'000	Group 1999 HK\$'000
Bank loans repayable:		
Within one year	1,047	963
In the second year	1,146	1,001
In the third to fifth years, inclusive	1,599	2,154
After five years	1,553	2,190
	5,345	6,308
Portion classified as current liabilities	(1,047)	(963)
Non-current portion	4,298	5,345

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23. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by the following:

- (a) Corporate guarantees executed by the Company and a subsidiary of the Company; and
- (b) A fixed deposit of HK\$10,000,000 (1999: Nil) of the Company.

24. SHARE CAPITAL

	2000 HK\$'000
Authorised:	
2,000,000,000 ordinary shares of HK\$0.10 each	200,000
	<u>200,000</u>
Issued and fully paid:	
250,000,000 ordinary shares of HK\$0.10 each	25,000
	<u>25,000</u>

The following changes in the Company's authorised and issued share capital took place during the period from 25 September 2000 (date of incorporation) to 31 December 2000:

- (i) On incorporation, the authorised share capital of the Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On 25 September 2000, 100 shares were allotted and issued nil paid.
- (ii) On 7 November 2000, the authorised share capital of the Company was increased to HK\$500,000,000 by the creation of an additional 4,996,200,000 shares of HK\$0.10 each.
- (iii) On 28 November 2000, the authorised share capital of the Company was decreased to HK\$200,000,000 by the cancellation of 3,000,000,000 authorised, but unissued shares.
- (iv) On 28 November 2000, as part of the Reorganisation described in note 1, the Company issued an aggregate of 999,900 shares of HK\$0.10 each credited as fully paid as consideration for the acquisition of the entire issued share capital of GSPL. The excess of the fair value of the shares of GSPL, determined on the basis of the consolidated net assets at that date over the nominal value of the Company's shares issued and credited as fully paid in exchange therefor, amounting to HK\$89,247,000, was credited to the Company's capital reserve as set out in note 25.
- (v) On 28 November 2000, an amount of HK\$10 being a portion of the amount credited to the capital reserve of the Company on the issue of shares in exchange for the shares of GSPL as set out in (iv) above, was applied to pay up, in full at par value, the 100 shares allotted and issued nil paid on 25 September 2000.
- (vi) On 28 November 2000, a total of 199,000,000 shares of HK\$0.10 each were allotted and issued as fully paid at par to the holders of the shares whose names appeared on the register of members of the Company, in proportion to their shareholdings, by way of the capitalisation of the sum of HK\$19,900,000 standing to the credit of the share premium account of the Company ("Capitalisation Issue"). This allotment and capitalisation were conditional on the share premium account being credited as a result of the new share issue to the public on 18 December 2000.

NOTES TO FINANCIAL STATEMENTS

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24. SHARE CAPITAL (continued)

(vii) On 18 December 2000, 50,000,000 shares of HK\$0.10 each were issued to the public at HK\$1.00 each for a total cash consideration, before the related issue expenses, of HK\$50,000,000.

A summary of the above changes in the issued share capital of the Company is as follows:

	Notes	Number of shares issued	Nominal value of shares issued HK\$
Shares allotted and issued nil paid on incorporation	(i)	100	-
Shares issued as consideration for the acquisition of the entire issued share capital of GSPL pursuant to the Reorganisation	(iv)	999,900	99,990
Application of capital reserve to pay up nil paid shares issued on incorporation	(v)	-	10
Capitalisation Issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the public share issue	(vi)	199,000,000	-
Pro forma issued share capital as at 31 December 1999		200,000,000	100,000
New issue upon public listing	(vii)	50,000,000	5,000,000
Capitalisation of the share premium account as set out above	(vi)	-	19,900,000
Share capital as at 31 December 2000		250,000,000	25,000,000

Share options

Pursuant to the share option scheme adopted by the Company on 28 November 2000 (the "Scheme"), the board of directors may, at their discretion, invite any director or employee of the Company and its subsidiaries, to take up options to subscribe for the Company's shares. The subscription price is determined by the directors and notified to each relevant person. The subscription price determined may not be less than the higher of 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options or the nominal value of the Company's shares. A nominal consideration of HK\$1.00 is payable upon the acceptance of the grant of an option. The maximum number of shares issued and issuable under the Scheme may not (when aggregated with the Company's shares subject to any other employee share option) exceed in nominal value 10% of the issued share capital of the Company from time to time, excluding for this purpose, shares issued upon the exercise of any options granted under the Scheme (or any other employee share option scheme). No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued to him, and those which may fall to be issued to him under all of the options previously granted to him pursuant to the Scheme, exceeding 25% of the maximum aggregate number of shares for the time being in issue and which may fall to be issued under the Scheme. The Scheme became effective for a period of ten years upon the listing of the Company's shares on the Stock Exchange on 18 December 2000. Further details of the Scheme are set out in the Company's prospectus dated 5 December 2000.

NOTES TO FINANCIAL STATEMENTS

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24. SHARE CAPITAL (continued)

Subsequent to the balance sheet date, on 4 January 2001, the Company granted 24,800,000 share options to certain directors the Company and certain employees of the Group at a consideration of HK\$1.00 per grantee for the subscription of ordinary shares of the Company at a subscription price of HK\$0.80 per share. The share options granted are exercisable up to 3 January 2004.

Further, on 5 January 2001, the Company granted 200,000 share options to certain directors of the Company at a consideration of HK\$1.00 per grantee for the subscription of the ordinary shares of the Company at a subscription price of HK\$0.81 per share. The share options granted are exercisable up to 4 January 2004.

25. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group								
At 1 January 1999	-	900	-	-	-	212	34,857	35,969
Net profit for the year	-	-	-	-	-	-	27,684	27,684
Dividend	-	-	-	-	-	-	(6,000)	(6,000)
At 31 December 1999 and 1 January 2000	-	900	-	-	-	212	56,541	57,653
Issue of shares	45,000	-	-	-	-	-	-	45,000
Capitalisation issue of shares	(19,900)	-	-	-	-	-	-	(19,900)
Share issue expense	(10,633)	-	-	-	-	-	-	(10,633)
Surplus on revaluation of leasehold land and buildings (note 14)	-	-	11,001	-	-	-	-	11,001
Surplus on revaluation of investment properties (note 15)	-	-	-	154	-	-	-	154
Net profit for the year	-	-	-	-	-	-	54,535	54,535
Transfer to statutory reserve (note (c))	-	-	-	-	14,000	-	(14,000)	-
Dividends	-	-	-	-	-	-	(30,000)	(30,000)
At 31 December 2000	14,467	900	11,001	154	14,000	212	67,076	107,810

NOTES TO FINANCIAL STATEMENTS

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25. RESERVES (continued)

	Share premium	Capital reserve	Assets revaluation reserve	Investment properties revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Total
Company	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Arising on acquisition of GSPL and applied in payment of 100 shares allotted nil paid on incorporation	-	89,247	-	-	-	-	-	89,247
Issue of shares	45,000	-	-	-	-	-	-	45,000
Capitalisation issue of shares	(19,900)	-	-	-	-	-	-	(19,900)
Share issue expenses	(10,633)	-	-	-	-	-	-	(10,633)
Net profit for the period	-	-	-	-	-	-	501	501
At 31 December 2000	14,467	89,247	-	-	-	-	501	104,215

Notes:

- The share premium account of the Company has resulted from the shares issued at premium upon the listing of the Company's shares on the Stock Exchange. Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium and capital reserve accounts are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay its debts as they fall due in the ordinary course of business.
- As at 31 December 2000, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$104,215,000, subject to the restrictions stated in note 25(a) above.
- In accordance with the relevant PRC regulations, Dongguan Proamine, a wholly foreign-owned enterprise established by the Group in the PRC is required to transfer a certain percentage of its profit after tax, if any, to the statutory reserve until such reserve reaches 50% of the registered capital of Dongguan Proamine. Subject to certain restrictions set out in the relevant PRC regulations, the statutory reserve may be used to offset any accumulated losses of Dongguan Proamine.
- The capital reserve of the Group represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired pursuant to the Reorganisation as set out in note 1, over the nominal value of the share capital of the Company issued in exchange therefor.

The capital reserve of the Company arose as a result of the same Reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor.

NOTES TO FINANCIAL STATEMENTS

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26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	64,189	34,052
Interest income	(576)	(2)
Gain on disposal of fixed assets	(12)	-
Depreciation	5,436	3,537
Provisions for doubtful debts	1,717	157
Increase in inventories	(947)	(1,714)
Increase in trade and bills receivable	(32,570)	(12,436)
Increase in prepayments, deposits and other receivables	(1,552)	(1,236)
Increase/(decrease) in trade and bills payable	8,252	(2,802)
Increase in accrued liabilities and other payables	5,805	1,956
Increase in trust receipt loans of original maturity greater than three months	1,505	1,004
Net cash inflow from operating activities	<u>51,247</u>	<u>22,516</u>

(b) Analysis of changes in financing during the years

	Share capital (including share premium) HK\$'000	Due from a related company HK\$'000	Bank loans HK\$'000	Due to a director HK\$'000
As at 1 January 1999	100	-	7,213	17,979
Net cash outflow from financing activities	<u>-</u>	<u>-</u>	<u>(905)</u>	<u>(10,590)</u>
At 31 December 1999 and 1 January 2000	100	-	6,308	7,389
Net cash inflow/(outflow) from financing activities	<u>39,367</u>	<u>(5,317)</u>	<u>(963)</u>	<u>(7,389)</u>
At 31 December 2000	<u>39,467</u>	<u>(5,317)</u>	<u>5,345</u>	<u>-</u>

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27. COMMITMENTS

As at 31 December 2000, the Group had the following commitments:

- (i) The Group had committed to provide funding of approximately HK\$9,327,000 to an independent third party in five instalments over a period of ten years for the purpose of financing ongoing and future research and development projects in respect of the Group's products; and
- (ii) The Group had outstanding commitments of HK\$346,000 concerning certain research and development projects undertaken by an independent third party in respect of the Group's products. In addition, the Group is also committed to pay annual consultancy fees of HK\$56,000 in aggregate to the independent third party for a period of ten years for the provision of technical support services.

The Company had no significant commitments as at 31 December 2000 (1999: Nil).

28. CONTINGENT LIABILITIES

At 31 December 2000, the Company had provided corporate guarantees to banks for banking facilities provided to its subsidiaries. These banking facilities had been utilised to the extent of approximately HK\$23,389,000 as at the balance sheet date.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 25 April 2001.