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14. INTERESTS IN SUBSIDIARIES

	Company 2001 HK\$'000
Unlisted shares, at cost	78,234
Due from subsidiaries	20,298
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	98,532
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The amounts due from subsidiaries are unsecured, interest-free and are not repayable before 30 June 2002.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment/ and operations*	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<u>Directly held</u>				
Earlsmead Enterprises Limited	British Virgin Islands ("BVI")	Ordinary US\$100	100%	Investment holding
<u>Indirectly held</u>				
Daqing Black Bird Co., Ltd.	PRC	RMB 5,000,000	90%	Manufacture and sale of petroleum refined products
Jet Sheen International Limited	Hong Kong	Ordinary HK\$10,000	100%	Provision of administrative services
Ombudsman Developments Limited	BVI/ PRC	Ordinary US\$1	100%	Trading of petroleum refined products
Pun Mun Agents Limited	BVI/ Europe, North America and Asia	Ordinary US\$1	100%	Provision of marketing services

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14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment/ and operations*	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held (continued)</i>				
Seng Lai Services Limited	BVI/ PRC	Ordinary US\$1	100%	Provision of quality control services
Tsai Hong Properties Limited	BVI/ PRC	Ordinary US\$1	100%	Provision of distribution rights and intellectual property holding

* Where different

15. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	15,337	5,076
Work in progress	—	564
Finished goods	4,698	5,106
	<u>20,035</u>	<u>10,746</u>

16. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. All trade receivables as at 30 June 2001 and 2000 were aged less than 120 days from the date of recognition of the sale.

17. CASH AND CASH EQUIVALENTS

	Group		Company
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000
Cash and bank balances	22,477	5,248	108
Time deposits	7,160	—	7,160
	<u>29,637</u>	<u>5,248</u>	<u>7,268</u>

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18. FINANCE LEASE PAYABLES

	Group			
	Minimum	Present	Minimum	Present
	payments	value of	payments	value of
	2001	2001	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:				
Within one year	267	252	—	—
In the second year	267	224	—	—
In the third to fifth years, inclusive	245	184	—	—
	<u>779</u>	<u>660</u>	<u>—</u>	<u>—</u>
Total minimum finance lease payments	779	660	—	—
Future finance charges	<u>(119)</u>		<u>—</u>	
Total net finance lease payables	660		—	
Portion classified as current liabilities	<u>(202)</u>		<u>—</u>	
Non-current portion	<u>458</u>		<u>—</u>	

At 30 June 2001, the Group's finance leases were secured by a corporate guarantee given by the Company.

19. TRADE PAYABLES

All trade payables as at 30 June 2001 and 2000 were aged less than 90 days from the date of receipt of the goods purchased.

20. SHARE CAPITAL

Shares

Authorised:

2,000,000,000 ordinary shares of HK\$0.01 each

Issued and fully paid:

800,000,000 ordinary shares of HK\$0.01 each

2001
HK\$'000

20,000

8,000

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20. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 7 December 2000 (date of incorporation) to 30 June 2001:

- (i) On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were issued and allotted nil paid on 21 December 2000.
- (ii) On 8 April 2001, the then issued shares having a par value of HK\$0.10 each in the share capital of the Company were sub-divided into ten shares, and the authorised share capital of the Company was increased to HK\$200,000 by the creation of a further 10,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- (iii) On 8 April 2001, as part of the Group Reorganisation described in note 1 to the financial statements, the Company issued an aggregate of 10,000,000 shares of HK\$0.01 each credited as fully paid in consideration for the acquisition of the entire issued share capital of Earlsmead. The excess of the fair value of the shares of Earlsmead, determined on the basis of its 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\$78,034,000 was credited to the Company's share premium account as set out in note 21.
- (iv) On 8 April 2001, an amount of HK\$100,000, being a portion of the amount credited to the share premium account of the Company on the issue of shares in exchange for the shares of Earlsmead as set out in (iii) above, was applied to pay up, in full at par value, the 10,000,000 sub-divided shares issued and allotted nil paid on 21 December 2000.
- (v) On 8 April 2001, the authorised share capital of the Company was increased from HK\$200,000 to HK\$20,000,000 by the creation of a further 1,980,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- (vi) On 8 April 2001, a total of 660,000,000 shares of HK\$0.01 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 at that date, in proportion to their respective shareholdings, by way of the capitalisation of the sum of HK\$6,600,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the issue of new shares to the public on 26 April 2001 as detailed in (vii) below.
- (vii) On 26 April 2001, a total of 120,000,000 shares of HK\$0.01 each were issued at HK\$0.25 each (the "New Issue") to the public for a total cash consideration, before expenses, of HK\$30,000,000.

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20. SHARE CAPITAL (continued)

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

	Notes	Number of shares issued '000	Par value HK\$'000
Shares allotted and issued nil paid on incorporation	(i)	<u>1,000</u>	<u>—</u>
Sub-division of each of the Company's shares into ten shares	(ii)	10,000	—
Shares issued as consideration for the acquisition of the entire issued share capital of Earlsmead pursuant to the Group Reorganisation	(iii)	10,000	100
Application of share premium to pay up nil paid shares issued on incorporation	(iv)	—	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	(vi)	<u>660,000</u>	<u>—</u>
Pro forma share capital as at 30 June 2000		680,000	200
Capitalisation of the share premium account as set out above	(vi)	—	6,600
New Issue on public listing	(vii)	<u>120,000</u>	<u>1,200</u>
Share capital as at 30 June 2001		<u>800,000</u>	<u>8,000</u>

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20. SHARE CAPITAL (continued)

Share options

Under the terms of the Company's shares option scheme (the "SO Scheme") adopted on 8 April 2001, the directors of the Company may, at their discretion, grant options to the employees, including executive directors, of the Company and its subsidiaries to subscribe for shares of the Company. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option and will entitle the holder to subscribe for shares during a period to be determined and notified by the directors of the Company, in any event not later than 10 years from the date of the grant of the option, as may be determined by the directors of the Company at a price not less than the higher of the nominal value of the shares and 80% of the average price of the closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares in respect of which options may be granted under the SO Scheme shall not exceed, in nominal amount, 10% of the share capital of the Company in issue from time to time, and the maximum number of shares in respect of which options may be granted to any employee may not exceed 25% of the maximum number of shares in respect of which options may be granted under the SO Scheme. Any shares allotted and issued on the exercise of options will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

Up to 30 June 2001, no share options have been granted pursuant to the SO Scheme.

Subsequent to the balance sheet date, on 8 August 2001, the Company granted share options to certain employees of the Group which entitle them to subscribe for 80,000,000 ordinary shares of the Company at any time between 20 August 2001 and 19 August 2004 inclusive, at a price of HK\$0.2344 per share.

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21. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Fixed asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group					
At 1 July 1999	—	106	—	37,534	37,640
Net profit for the year	—	—	—	27,960	27,960
Dividends – note 11	—	—	—	(16,500)	(16,500)
At 30 June 2000 and 1 July 2000	—	106	—	48,994	49,100
Issue of shares	28,800	—	—	—	28,800
Share issue expenses	(9,818)	—	—	—	(9,818)
Capitalisation issue of shares	(6,600)	—	—	—	(6,600)
Surplus on revaluation – note 13	—	—	3,215	—	3,215
Surplus on revaluation shared by minority shareholders – note 22(b)	—	—	(322)	—	(322)
Net profit for the year	—	—	—	39,688	39,688
Dividends – note 11	—	—	—	(6,000)	(6,000)
At 30 June 2001	12,382	106	2,893	82,682	98,063
			Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company					
Arising on acquisition of Earlsmead and applied in payment of 10,000,000 shares allotted nil paid on incorporation			78,034	—	78,034
Issue of shares			28,800	—	28,800
Share issue expenses			(9,818)	—	(9,818)
Capitalisation issue of shares			(6,600)	—	(6,600)
Net profit for the year			—	6,975	6,975
Dividend – note 11			—	(6,000)	(6,000)
At 30 June 2001			90,416	975	91,391

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21. RESERVES (continued)

The share premium account of the Group includes (i) the premium arising from the New Issue during the year; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation, as at set out in note 1 to the financial statements, over the nominal value of the shares of the Company issued in exchange therefor.

The share premium account of the Company includes (i) the premium arising from the New Issue during the year; and (ii) the difference between the then combined net assets value of the subsidiaries acquired pursuant to the Group Reorganisation, as set out in note 1 to the financial statements, over the nominal value of the shares of the Company issued in exchange therefor.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is 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 off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	49,492	33,561
Interest income	(229)	(71)
Depreciation	2,262	1,898
Increase in prepayments, deposits and other receivables	(674)	(504)
Increase in inventories	(9,289)	(2,158)
Increase in trade receivables	(18,655)	(2,882)
(Decrease)/increase in trade payables	(2,240)	1,236
Increase/(decrease) in other payables and accruals	73	(521)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>20,740</u>	<u>30,559</u>

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22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Analysis of changes in financing activities during the year**

	Finance lease payables HK\$'000	Minority interests HK\$'000	Share capital and share premium HK\$'000
Balance at 1 July 1999	–	2,841	200
Share of profit for the year	–	1,537	–
Balance at 30 June 2000 and 1 July 2000	–	4,378	200
Inception of finance lease contracts	810	–	–
Cash (outflow)/inflow from financing activities, net	(150)	–	20,182
Share of profit for the year	–	1,926	–
Share of revaluation surplus	–	322	–
Balance at 30 June 2001	660	6,626	20,382

(c) Major non-cash transactions

- (i) The Group Reorganisation in preparation for the public listing of the Company's shares involved the acquisition of Earlsmead by the issue of shares of the Company, further details of which are set out in notes 1 and 20 to the financial statements.
- (ii) During the year, the Group entered into finance lease arrangements in respect of fixed assets with total capital value at the inception of the leases of approximately HK\$810,000 (2000: Nil).

23. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

At 30 June 2001, a corporate guarantee of approximately HK\$779,000 was given by the Company in respect of the fixed assets of a subsidiary held under finance leases.

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24. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

	2001 HK\$'000	2000 HK\$'000
(a) Contracted capital commitments in respect of leasehold buildings and plant under construction	<u>1,262</u>	<u>—</u>
(b) Future aggregate lease payments under non-cancellable operating leases in respect of leasehold land and buildings are as follows:		
Within one year	113	112
In the second to fifth years, inclusive	<u>36</u>	<u>162</u>
	<u>149</u>	<u>274</u>

The Company did not have any significant commitments as at 30 June 2001.

25. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with a related party:

	2001 HK\$'000	2000 HK\$'000
Rental expenses paid to Ng Lung Kee Transportation Company Limited ("Ng Lung Kee")	<u>96</u>	<u>96</u>

Mr. Ng Ming Wah, a director of the Company, is a director and shareholder of Ng Lung Kee.

In the opinion of the directors, the above transactions were carried out in the ordinary course of business of the Group with reference to the open market rental value of the properties.

26. POST BALANCE SHEET EVENT

On 8 August 2001, the Company granted a total of 80,000,000 share options to certain employees of the Group which entitle them to subscribe for the Company's ordinary shares of HK\$0.01 each at any time between 20 August 2001 and 19 August 2004 inclusive, at a price of HK\$0.2344 per share.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 18 October 2001.