



ANNUAL REPORT 1993 年報

F O R T E I

H O L D I N G S

L I M I T E D

安福控股有限公司

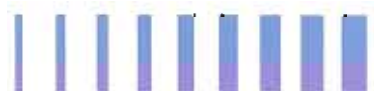
(Incorporated in Bermuda with limited liability)
(於百慕大註冊成立之有限公司)



CONTENTS



	Page(s)
Corporate Information	1
Notice of Annual General Meeting	2-3
Chairman's Statement	4-5
Report of the Directors	6-9
Report of the Auditors	10
Consolidated Profit and Loss Account	11
Consolidated Balance Sheet	12
Balance Sheet	13
Consolidated Cash Flow Statement	14
Notes to the Financial Statements	15-28
Financial Summary	29

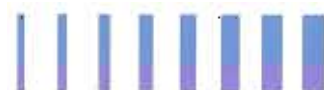




CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors	Kong Yun Kan (<i>Chairman</i>) Kwong Yun Nin (<i>Managing Director</i>) Kwong Yun Sing, Jarvis Wong Wing Keung
Non-executive Directors	Chan Cheung Ho Liu Wing Ting, Stephen
Company Secretary	Hui Chi Kwai
Registered Office	Clarendon House Church Street Hamilton HM11 Bermuda
Registered Office in Hong Kong	9/F, Mappin House, 98 Texaco Rd, Tsuen Wan, N.T. Hong Kong.
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank Bank of China Kincheng Banking Corporation
Solicitors	Conyers, Dill & Pearman Vincent T.K. Cheung, Yap & Co.
Auditors	Deloitte Touche Tohmatsu
Principal Registrars	Butterfield Corporate Services Limited Rosebank Centre, 14 Bermudiana Road, Pembroke Bermuda
Hong Kong Branch Registrars and Transfer Office	Central Registration Hong Kong Limited 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.





NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the above-mentioned company (the "Company") will be held at Hongkong Hilton, Aberdeen Room, 2 Queen's Road Central, Hong Kong on 22nd June, 1994, Wednesday at 3:30 p.m. for the following purposes:—

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 1993.
2. To declare a final dividend of 8 cents per share for the year ended 31st December, 1993.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:—

A. "THAT

- (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during, the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:—

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:—

- (i) the conclusion of the next annual general meeting of the Company; and
- (ii) the expiration of the period within which the next annual general meeting of the company is required by the bye-laws of the Company or any applicable law to be held; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such





NOTICE OF ANNUAL GENERAL MEETING

shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

B. "THAT

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly; and
- (c) for the purposes of this resolution:—

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the company is required by the bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

- C. "THAT conditional upon resolution no. 5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by directors of the Company pursuant to resolution no.5A above."

By Order of the Board
Hui Chi Kwai
Company Secretary

Hong Kong, 28th March, 1994

Principal office in Hong Kong:
9th Floor, Mappin House
98 Texaco Road
Tsuen Wan
New Territories
Hong Kong.



CHAIRMAN'S STATEMENT

This is the first year of listing of the Company with the Stock Exchange of Hong Kong Limited. I am pleased to report that the Group have achieved another record year in 1993.

RESULTS

The consolidated turnover of the Group for 1993 amounted to \$349 million, an increase of 58% over that of the preceding year. The consolidated profit attributable to shareholders for 1993 also increased by 105% and it exceeded the profit forecast as stated in the prospectus of the Company dated 22nd June 1993 by 20%. Net profit margin has significantly improved to 20%.

FINAL DIVIDEND

The directors will recommend a final dividend of 8 cents per share for the year ended 31st December, 1993 payable on or about 23rd June 1994 to shareholders



whose names appear on the register of members of the Company on 22nd June, 1994. Together with the interim dividend of 1 cent per share already paid to shareholders, the total dividends for the year ended 31st December, 1993 therefore amount to 9 cents per share which exceeded the forecast as stated in the prospectus of the Company dated 22nd June 1993 by 29%.

REVIEW OF OPERATIONS

Sales of sports shoes, men's suits and jeans - the Group's major products - were all doing well in 1993. Sports shoes remained the dominant products for the Group. Jeans and men's suits which were launched in the People's Republic of China ("PRC") market during the year were well received by consumers there. The directors believe that there is a great potential for the further development of these products in the PRC.

The PRC was the principal market for the Group's products, including direct sales and resales by customers in Hong Kong and Macau. The expansion of FORTEI counters and specialty shops in the PRC has gone on as planned and the number rose to 50 by the end of 1993.





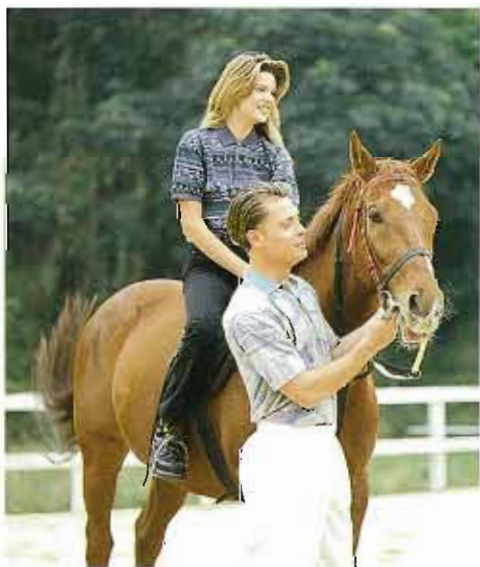
CHAIRMAN'S STATEMENT

The directors expect that an additional 50 FORTEI counters and specialty shops will be set up in the PRC during 1994.

Sales in Hong Kong and Macau showed remarkable increase in 1993. The Group has established three FORTEI counters and specialty shops in Hong Kong. Negotiations are currently under way for the setting up of 12 additional FORTEI counter and specialty shops in Hong Kong.

PROSPECTS

The PRC, with its rapid economic development and growing consumer affluence, has a great demand for quality consumer products. As the FORTEI brand is very well-known and popular in the PRC, the Group will continue to be benefitted by this expanding market.



ACKNOWLEDGEMENT

I would like to take this opportunity to thank our customers, suppliers and staff for their support which has contributed to the success of the Group.

Kong Yun Kan

Chairman

28th March, 1994





REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31st December, 1993.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are engaged in the design, marketing and distribution of sports and leather shoes and sports and leisure wear under the FORTEI brandname.

As the Group is engaged in design, marketing, distribution and licensing activities, the directors consider any apportionment of the operating results between these activities would not be meaningful.

All the Group's products are sold to customers in Hong Kong, Macau and the People's Republic of China.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 1993 are set out in the consolidated profit and loss account on page 11 and in note 6 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group for the last four financial years is set out on page 29.

SHARE CAPITAL

The Company was incorporated on 7th June, 1993. Changes in the authorised and issued share capital of the Company since its incorporation are set out in note 14 to the financial statements.

Details of the share options granted by the Company during the year are set out in note 15 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 16 to the financial statements.

FIXED ASSETS

During the year the Group revalued its investment properties, resulting in a surplus on revaluation of HK\$20,772,000 which has been credited directly to the investment property revaluation reserve. Details of these and other changes in fixed assets of the Group during the year are set out in note 8 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 1993 are set out in note 24 to the financial statements.





REPORT OF THE DIRECTORS

BORROWINGS

Details of the Group's bank borrowings are set out in note 17 to the financial statements.

No interest was capitalised by the Group during the year.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company, all of whom were nominated by the subscribers on 23rd June, 1993, were:

Executive directors:

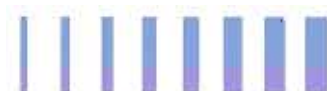
Kong Yun Kan
Kwong Yun Nin
Kwong Yun Sing, Jarvis
Wong Wing Keung

Non-executive directors:

Chan Cheung Ho
Liu Wing Ting, Stephen
John Anthony Ellison (resigned on 28th July, 1993)
John Charles Ross Collis (resigned on 28th July, 1993)
Donald Harrigan Malcolm (resigned on 28th July, 1993)
(alternate director to John Anthony
Ellison and John Charles Ross Collis)

In accordance with Bye-law 87 of the Company's Bye-laws, all remaining directors retire and, being eligible, offer themselves for re-election.

Except for Kong Yun Kan and Kwong Yun Nin who have service agreements with the Company for two years commencing 1st April, 1993, none of the other directors being proposed for re-election has entered into a service agreement with the Company.





REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st December, 1993, the interests of the directors and chief executives in the shares of the Company as recorded in the register required to be maintained under Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares	
	Personal interest	Corporate interest
Kong Yun Kan	6,285,700	271,428,600*
Kwong Yun Nin	—	—
Kwong Yun Sing, Jarvis	—	—
Wong Wing Keung	—	—
Chan Cheung Ho	—	—
Liu Wing Ting, Stephen	—	—

* These shares are owned by Hoi Fat Investments (B.V.I.) Limited in which Cowin Enterprises Limited has a 42.26% interest. Cowin Enterprises Limited is a company operated by a trustee for the benefit of a trust, the beneficiaries of which are Kong Yun Kan and his immediate family members.

Save as disclosed above, none of the directors and their associates had any interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance at 31st December, 1993 except for the following:

- (a) Certain nominee shares in subsidiaries held by Kong Yun Kan in trust for the Group.
- (b) The non-voting deferred shares in Onpower Company Limited, a subsidiary of the Group, held by the following directors:

Name of director	Number of non-voting deferred shares held
Kong Yun Kan	1,816,579
Kwong Yun Nin	380,842
Kwong Yun Sing, Jarvis	331,224

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 1993, the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors and their associates, the Company was not notified of any interest which represents 10% or more of the Company's issued share capital.



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

A share option scheme was approved at a special general meeting of the Company held on 16th June, 1993 under which the directors may, at their discretion, grant options to executive directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company. Details of the share option scheme are set out in note 15 to the financial statements.

On 8th July, 1993, Kwong Yun Nin was granted options to subscribe for 10,000,000 shares in the Company at an exercise price of HK\$1.28 each. None of the share options granted were exercised during the year.

Save as aforesaid, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

During the period, Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Kong Yun Kan
Chairman

28th March, 1994





REPORT OF THE AUDITORS

**Deloitte Touche
Tohmatsu**



To the members of Fortei Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 11 to 28 in accordance with Hong Kong Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1993 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Statements of Standard Accounting Practice and have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 28th March, 1994



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 1993

	NOTES	1993 HK\$'000 (NOTE 1)	1992 HK\$'000 (NOTE 1)
TURNOVER		<u>348,673</u>	<u>220,077</u>
OPERATING PROFIT	3	85,582	42,606
SHARE OF PROFITS OF ASSOCIATED COMPANY		<u>509</u>	<u>37</u>
PROFIT BEFORE TAXATION		86,091	42,643
TAXATION	4	<u>14,035</u>	<u>7,491</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	5	<u>72,056</u>	<u>35,152</u>
DIVIDENDS	6	<u>36,000</u>	<u>17,520</u>
EARNINGS PER SHARE	7	<u>20.6 cents</u>	<u>11.7 cents</u>





CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 1993

	NOTES	1993 HK\$'000 (NOTE 1)	1992 HK\$'000 (NOTE 1)
FIXED ASSETS	8	42,107	21,385
INTEREST IN ASSOCIATED COMPANY	10	835	414
NET CURRENT ASSETS	11	<u>172,079</u>	<u>34,062</u>
		<u>215,021</u>	<u>55,861</u>
Financed by:			
SHARE CAPITAL	14	40,000	174
RESERVES	16	<u>174,736</u>	<u>45,903</u>
SHAREHOLDERS' FUNDS		214,736	46,077
BANK BORROWINGS — AMOUNT DUE AFTER ONE YEAR	17	—	9,499
DEFERRED TAXATION	18	<u>285</u>	<u>285</u>
		<u>215,021</u>	<u>55,861</u>

The financial statements on pages 11 to 28 were approved by the Board of Directors on 28th March, 1994 and are signed on its behalf by:

Kong Yun Kan
Director

Kwong Yun Sing, Jarvis
Director



BALANCE SHEET

AT 31ST DECEMBER, 1993

	NOTES	HK\$'000
INTEREST IN SUBSIDIARIES	9	201,047
NET CURRENT LIABILITIES	11	<u>(512)</u>
NET ASSETS		<u>200,535</u>
Financed by:		
SHARE CAPITAL	14	40,000
RESERVES	16	<u>160,535</u>
SHAREHOLDERS' FUNDS		<u>200,535</u>

Kong Yun Kan
Director

Kwong Yun Sing, Jarvis
Director



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 1993

	NOTES	1993 HK\$'000 (NOTE 1)	1992 HK\$'000 (NOTE 1)
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	<u>37,739</u>	<u>17,436</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,040	117
Interest paid		(1,585)	(2,158)
Finance charges on hire purchase contracts		(3)	(16)
Dividends paid		<u>(21,520)</u>	<u>—</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(19,068)</u>	<u>(2,057)</u>
TAXATION			
Hong Kong Profits Tax paid		<u>(14,459)</u>	<u>(695)</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(1,024)	(2,245)
Proceeds from disposal of fixed assets		142	68
Interest in associated company		—	(340)
Proceeds from sale of unlisted investments		<u>—</u>	<u>450</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(882)</u>	<u>(2,067)</u>
NET CASH INFLOW BEFORE FINANCING		<u>3,330</u>	<u>12,617</u>
FINANCING	20		
Issue of shares for cash - net		111,831	12,604
Repayments of mortgage loans		(10,685)	(1,092)
Repayments of obligations under hire purchase contracts		<u>(11)</u>	<u>(128)</u>
NET CASH INFLOW FROM FINANCING		<u>101,135</u>	<u>11,384</u>
INCREASE IN CASH AND CASH EQUIVALENTS		104,465	24,001
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>6,613</u>	<u>(17,388)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	<u>111,078</u>	<u>6,613</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in Bermuda on 7th June, 1993 under the Companies Act 1981 of Bermuda (as amended) as an exempted company. Pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company has since 16th June, 1993 become the holding company of the Fortei group of companies. Its ultimate holding company is Hoi Fat Investments (B.V.I.) Limited, a company which is incorporated in the British Virgin Islands.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are regarded as a continuing entity and the financial statements of the Group therefore have been prepared on the basis as if the current group structure had been in existence throughout the two years presented. In the opinion of the directors, the financial statements prepared on the foregoing basis more fairly present the results, cash flows and state of affairs of the Group as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The consolidated profit and loss account includes the Group's share of results of associated companies for the year. Investment in associated companies in the consolidated balance sheet is accounted for by using the equity method to include the Group's share of net assets, other than goodwill, of its associated companies.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers and licence fees received and receivable from third parties during the year.

Assets held under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair values at the dates of inception of the contracts. The corresponding principal portions of the hire purchase commitments are shown as obligations of the Group in the balance sheet. The finance costs, which represent the difference between the total hire purchase commitments and the principal portions of the hire purchase contracts at the dates of inception of the contracts, are charged to the profit and loss account as finance charges using the straight line method over the lives of the contracts to approximate a constant rate of charge.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Rental receipts or payments under operating leases are credited or charged to the profit and loss account on a straight line basis over the duration of the leases.

Investment properties

Investment properties are properties which are income producing and are held for the long term for their investment potential.

No depreciation is provided on investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years. Investment properties are stated at their open market values based on annual professional valuation at the balance sheet date.

Depreciation

Buildings, other than those included in investment properties, are depreciated over twenty years using the straight line method. No amortisation is provided in respect of leasehold land held under long term leases which have unexpired terms, including the renewable period, of more than fifty years.

Depreciation is provided to write off the cost of other fixed assets over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Furniture and fixtures	15 - 50%
Motor vehicles	20%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Associated companies

An associated company is a company, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence in its financial and operating policy decisions.

Interest in associated companies is stated at the Group's share of net assets of the associated companies and the results of associated companies are accounted for using the equity method of accounting.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is determined by reference to actual or anticipated selling prices less estimated future costs to be incurred in marketing, selling and distribution.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences other than those which are not expected to crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the approximate rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the profit and loss account.

3. OPERATING PROFIT

	1993 HK\$'000	1992 HK\$'000
Operating profit has been arrived after charging:		
Directors' remuneration		
— Fees	120	—
— Other emoluments	2,986	2,258
Auditors' remuneration	408	420
Depreciation on		
— Owned assets	785	982
— Assets held under hire purchase contracts	—	17
Interest on bank borrowings		
— Wholly repayable within five years	1,585	1,345
— Not wholly repayable within five years	—	917
Finance charges on hire purchase contracts	3	16
Rental payments under operating leases for land and buildings	2,425	821
and after crediting:		
Rental income under operating leases, net	2,006	1,167
Licence fee income	25,305	2,303
Interest income (<i>see note below</i>)	<u>4,851</u>	<u>117</u>

Note: Included in the interest income for the year-ended 31st December, 1993 is an amount of HK\$1,623,000 earned by the Company on the application monies received in connection with the new issue of shares of the Company during the year.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

4. TAXATION

	1993 HK\$'000	1992 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profits of		
— the Company and its subsidiaries	13,947	7,484
— the associated company	<u>88</u>	<u>7</u>
	<u>14,035</u>	<u>7,491</u>

There was no significant unprovided deferred taxation for the year.

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders of HK\$72,056,000 for the year ended 31st December, 1993, a profit of HK\$39,486,000 has been dealt with in the financial statements of the Company and HK\$421,000 is attributable to the associated company.

6. DIVIDENDS

	1993 HK\$'000	1992 HK\$'000
Interim dividend paid of 1 cent per share (1992: nil)	4,000	—
Final dividend proposed of 8 cents per share (1992: nil)	32,000	—
Dividend paid by a subsidiary to its former shareholders prior to the group reorganisation referred to in note 1	<u>—</u>	<u>17,520</u>
	<u>36,000</u>	<u>17,520</u>

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$72,056,000 (1992: HK\$35,152,000) and the weighted average number of 349,315,068 shares (1992: 300,000,000 shares) in issue during the year.

Fully diluted earnings per share has not been presented as exercise of the outstanding share options which were granted during the year (see note 15) would not have a material diluting effect on the earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

8. FIXED ASSETS

	Investment properties HK\$'000	Other leasehold properties HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST OR VALUATION					
At 1st January, 1993	10,183	8,366	3,592	1,921	24,062
Additions	—	—	1,024	—	1,024
Disposals	—	—	—	(461)	(461)
Surplus on revaluation	<u>20,317</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,317</u>
At 31st December, 1993	<u>30,500</u>	<u>8,366</u>	<u>4,616</u>	<u>1,460</u>	<u>44,942</u>
Comprising:					
At cost	—	8,366	4,616	1,460	14,442
At valuation - 1993	<u>30,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,500</u>
	<u>30,500</u>	<u>8,366</u>	<u>4,616</u>	<u>1,460</u>	<u>44,942</u>
DEPRECIATION					
At 1st January, 1993	455	346	1,092	784	2,677
Provided for the year	—	84	501	200	785
Eliminated on disposals	—	—	—	(172)	(172)
Eliminated on valuation	<u>(455)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(455)</u>
At 31st December, 1993	<u>—</u>	<u>430</u>	<u>1,593</u>	<u>812</u>	<u>2,835</u>
NET BOOK VALUES					
At 31st December, 1993	<u>30,500</u>	<u>7,936</u>	<u>3,023</u>	<u>648</u>	<u>42,107</u>
At 31st December, 1992	<u>9,728</u>	<u>8,020</u>	<u>2,500</u>	<u>1,137</u>	<u>21,385</u>

All the properties are situated in Hong Kong and are held on leases, including the renewable period, of not less than fifty years.

All investment properties are rented out under operating leases. The valuation of the investment properties was carried out by Vigers Hong Kong Limited, an independent firm of property valuers, at December 31, 1993 on an open market basis.

At 31st December, 1993, the net book value of fixed assets did not include any amount (1992: HK\$66,000) in respect of assets held under hire purchase contracts.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

9. INTEREST IN SUBSIDIARIES

	THE COMPANY HK\$'000
Unlisted shares, at directors' valuation	85,218
Amount due from a subsidiary	<u>115,829</u>
	<u>201,047</u>

The directors' valuation of the investment in subsidiaries is based on the underlying net assets of the subsidiaries acquired by the Company under the group reorganisation referred to in note 1 to the financial statements.

Details of the Company's subsidiaries at 31st December, 1993 are set out in note 24 to the financial statements.

10. INTEREST IN ASSOCIATED COMPANY

	THE GROUP	
	1993 HK\$'000	1992 HK\$'000
Share of net assets, other than goodwill, of associated company	571	150
Amount due from associated company	<u>264</u>	<u>264</u>
	<u>835</u>	<u>414</u>

At 31st December, 1993, the Group held 40% of the issued ordinary share capital of Sanmark Industrial Limited, a private limited company which is incorporated in Hong Kong. The associated company is engaged in the manufacture of sports and leisure handbags.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

11. NET CURRENT ASSETS

	THE GROUP		THE COMPANY
	1993 HK\$'000	1992 HK\$'000	1993 HK\$'000
CURRENT ASSETS			
Stocks (note 12)	30,974	26,187	—
Debtors, deposits and prepayments	83,306	42,880	49
Dividend receivable	—	—	32,000
Bank balances and cash	<u>122,277</u>	<u>17,760</u>	<u>—</u>
	<u>236,557</u>	<u>86,827</u>	<u>32,049</u>
CURRENT LIABILITIES			
Creditors and accrued charges	12,824	11,334	166
Amount due to a director (note 13)	—	2,600	—
Dividend payable	32,000	17,520	32,000
Taxation	8,455	8,967	395
Obligations under hire purchase contracts due within one year	—	11	—
Bank borrowings - amount due within one year (note 17)	<u>11,199</u>	<u>12,333</u>	<u>—</u>
	<u>64,478</u>	<u>52,765</u>	<u>32,561</u>
NET CURRENT ASSETS (LIABILITIES)	<u>172,079</u>	<u>34,062</u>	<u>(512)</u>

12. STOCKS

	THE GROUP	
	1993 HK\$'000	1992 HK\$'000
Raw materials	8,826	5,440
Finished goods	<u>22,148</u>	<u>20,747</u>
	<u>30,974</u>	<u>26,187</u>

13. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, interest free and repaid in full during the year.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each	<u>400,000,000</u>	<u>40,000</u>

The Company was incorporated with an authorised share capital of HK\$126,000 divided into 1,260,000 shares of HK\$0.10 each, all of which were issued nil paid on 8th June, 1993.

Pursuant to resolutions passed at a special general meeting of the Company held on 16th June, 1993 to effect the group reorganisation described in note 1 to the financial statements:

- (a) The authorised share capital of the Company was increased from HK\$126,000 to HK\$60,000,000 by the creation of an additional 598,740,000 shares of HK\$0.10 each;
- (b) The directors were authorised to allot and issue, credited as fully paid, 1,740,000 shares of HK\$0.10 each for the acquisition of the entire issued share capital of Fortei (B.V.I.) Limited;
- (c) The directors were authorised to capitalise a sum of HK\$126,000, being part of the amount standing to the credit of the contributed surplus account of the Company arising from the acquisition mentioned in (b) above, and to apply as full payment for the 1,260,000 shares which were allotted and issued nil paid on 8th June, 1993;
- (d) The directors were authorised to allot and issue 100,000,000 shares of HK\$0.10 each at HK\$1.28 per share pursuant to the prospectus issued by the Company on 22nd June, 1993; and
- (e) An amount of HK\$29,700,000 standing to the credit of the share premium account as a result of the issue of shares described in (d) above was capitalised and applied in paying up in full 297,000,000 shares of the Company for use as bonus shares to be distributed amongst the members of the Company as at 16th June, 1993 in proportion to their then existing shareholdings.

The comparative figure of HK\$174,000 shown as share capital in the consolidated balance sheet represents the nominal value of the shares of the Company which were issued in exchange for the entire share capital of Fortei (B.V.I.) Limited as noted in (b) above under the group reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

15. SHARE OPTION SCHEME

At a special general meeting of the Company held on 16th June, 1993, a share option scheme was approved and adopted. Under the scheme the directors may at their discretion grant options to executive directors and full time employees of the Company and its subsidiaries to subscribe for shares in the Company. Options granted under the scheme will entitle the holder to subscribe for shares within three years from the date the option is granted. The subscription price of the option shares shall be at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of the offer to grant an option.

On 8th July, 1993, Kwong Yun Nin was granted an option to subscribe up to 10,000,000 shares in the Company at a exercise price of HK\$1.28. For the period up to 31st December, 1993, none of the granted options was exercised and no other option had been granted under the share option scheme.

16. RESERVES

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP					
Balance at 1st January, 1993	—	—	17,440	28,463	45,903
Capitalisation and application of amount as full payment for the 1,260,000 nil paid shares (see note 14(c))	—	—	(126)	—	(126)
Premium arising from issue of shares	118,000	—	—	—	118,000
Expenses in connection with issue of shares	(16,169)	—	—	—	(16,169)
Capitalisation of the share premium account to pay up in full the 297,000,000 shares (see note 14(e))	(29,700)	—	—	—	(29,700)
Surplus on revaluation of investment properties	—	20,772	—	—	20,772
Profit for the year, retained	—	—	—	36,056	36,056
Balance at 31st December, 1993	<u>72,131</u>	<u>20,772</u>	<u>17,314</u>	<u>64,519</u>	<u>174,736</u>
Attributable to:					
The Company and its subsidiaries	72,131	20,772	17,314	64,068	174,285
Associated company	—	—	—	451	451
	<u>72,131</u>	<u>20,772</u>	<u>17,314</u>	<u>64,519</u>	<u>174,736</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

16. RESERVES (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY				
Contributed surplus arising from the group reorganisation	—	85,044	—	85,044
Capitalisation and application of amount as full payment for the 1,260,000 nil paid shares (see note 14(c))	—	(126)	—	(126)
Premium arising from issue of shares	118,000	—	—	118,000
Expenses in connection with issue of shares	(16,169)	—	—	(16,169)
Capitalisation of the share premium account to pay up in full the 297,000,000 shares (see note 14(e))	(29,700)	—	—	(29,700)
Profit for the year (note 5)	—	—	39,486	39,486
Dividends (note 6)	—	—	(36,000)	(36,000)
At 31st December, 1993	<u>72,131</u>	<u>84,918</u>	<u>3,486</u>	<u>160,535</u>

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital and share premium of the companies now forming the Group pursuant to the group reorganisation explained in note 1 to the financial statements.

The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation explained in note 1 to the financial statements. Contributed surplus is available for distribution to shareholders under the laws in Bermuda.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

17. BANK BORROWINGS

	THE GROUP	
	1993 HK\$'000	1992 HK\$'000
Bank overdraft	—	2
Trust receipts and import loans	11,199	3,145
Short term bank loan	—	8,000
Mortgage loans	—	10,685
	<u>11,199</u>	<u>21,832</u>
Less: Amount due within one year shown under current liabilities	<u>(11,199)</u>	<u>(12,333)</u>
Amount due after one year	<u>—</u>	<u>9,499</u>
Secured	7,239	21,832
Unsecured	<u>3,960</u>	<u>—</u>
	<u>11,199</u>	<u>21,832</u>

The bank borrowings bear interest at prevailing market rates and are repayable as follows:

	1993 HK\$'000	1992 HK\$'000
Within one year or on demand	11,199	12,333
Between 1-2 years	—	1,251
Between 2-5 years	—	4,192
After 5 years	—	4,056
	<u>11,199</u>	<u>21,832</u>

18. DEFERRED TAXATION

The balance of deferred taxation at the balance sheet date represents the tax effect of timing differences attributable to the excess of depreciation allowances claimed on fixed assets for tax purposes over depreciation charged in the financial statements.

The surplus arising on revaluation of investment properties does not constitute a timing difference for taxation purposes as any profits realised on their subsequent disposals would not be subject to taxation.

There was no significant unprovided deferred tax asset or liability at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

19. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1993 HK\$'000	1992 HK\$'000
Profit before taxation	86,091	42,643
Interest income	(4,851)	(117)
Interest expenses	1,585	2,262
Finance charges on hire purchase contracts	3	16
Depreciation	785	999
Loss on disposal of fixed assets	147	10
Share of profits of associated company	(509)	(37)
Profit on sale of unlisted investments	—	(50)
Increase in stocks	(4,787)	(8,192)
Increase in debtors, deposits and prepayments	(39,615)	(8,631)
Decrease in amount due to a director	(2,600)	(16,474)
Increase in creditors and accrued charges	<u>1,490</u>	<u>5,007</u>
Net cash inflow from operating activities	<u>37,739</u>	<u>17,436</u>

20. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, including share premium HK\$'000	Obligations under hire purchase contracts HK\$'000	Mortgage loans HK\$'000
Balance at 1st January, 1993	174	11	10,685
Capitalisation of reserve	126	—	—
Issue of shares for cash - net	111,831	—	—
Repayments of borrowings	<u>—</u>	<u>(11)</u>	<u>(10,685)</u>
Balance at 31st December, 1993	<u>112,131</u>	<u>—</u>	<u>—</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

21. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	1993 HK\$'000	1992 HK\$'000
Bank balances and cash	122,277	17,760
Trust receipts and import loan	(11,199)	(3,145)
Short term bank loan	—	(8,000)
Bank overdraft	—	(2)
	<u>111,078</u>	<u>6,613</u>

22. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY
	1993 HK\$'000	1992 HK\$'000	1993 HK\$'000
Extent of banking facilities utilised by subsidiaries at the balance sheet date which were guaranteed by the Company	<u>—</u>	<u>—</u>	<u>11,199</u>

23. OPERATING LEASE COMMITMENTS

At 31st December, 1993, the Group was committed to pay HK\$3,964,000 in the following year for land and buildings under operating leases which expire in the second to fifth year inclusive.

The Company had no lease commitments at the balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1993

24. SUBSIDIARIES

Details of the Company's subsidiaries, all of which are wholly-owned, at 31st December, 1993 are as follows:

Name of company	Place of incorporation/ operation	Issued and fully paid share capital	Principal activities
Fortei (B.V.I.) Limited*	British Virgin Islands	Ordinary US\$600	Investment holding
Fortei Far East Limited	Hong Kong	Ordinary HK\$2	Design and sourcing of products for sale by the Group
Fortei Licensing Limited	British Virgin Islands	Ordinary US\$0.01	Holding of trademarks and licensing
Fortei Limited	Hong Kong	Ordinary HK\$10,000	Property holding
Onpower Company Limited	Hong Kong	Ordinary HK\$10 Non-voting deferred HK\$5,000,000	Marketing and distribution of sports and leather shoes and sports and leisure wear

* Directly held by the Company

None of the subsidiaries had any loan capital subsisting at 31st December, 1993 or at any time during the year.

The rights and restrictions of the non-voting deferred shares of Onpower Company Limited, which are not held by the Group, are as follows:

- (a) the holders of the non-voting deferred shares shall be entitled to a fixed non-cumulative dividend at the rate of 1% per annum for any financial year of the company in respect of which the net profit of the company available for dividend exceeds HK\$1,000,000,000,000,000;
- (b) on a winding up the holders of the non-voting deferred shares shall be entitled out of the surplus assets of the company to a return of the capital paid up on the non-voting deferred shares held by them after a total of \$1,000,000,000,000,000 has been distributed in such winding up in respect of each of the issued ordinary share of the company;
- (c) the non-voting deferred shares shall not entitle the holders thereof to receive notice of, attend or vote at any general meeting of the company; and
- (d) save as described above, the holders of the non-voting deferred shares are not entitled to any participation in the profits or assets of the company.



FINANCIAL SUMMARY

RESULTS

	1990 HK\$'000	1991 HK\$'000	1992 HK\$'000	1993 HK\$'000
Turnover	<u>43,292</u>	<u>66,621</u>	<u>220,077</u>	<u>348,673</u>
Operating profit	1,580	12,257	42,606	85,582
Share of profits of associated company	<u>—</u>	<u>—</u>	<u>37</u>	<u>509</u>
Profit before taxation	1,580	12,257	42,643	86,091
Taxation	<u>333</u>	<u>2,195</u>	<u>7,491</u>	<u>14,035</u>
Profit attributable to shareholders	<u>1,247</u>	<u>10,062</u>	<u>35,152</u>	<u>72,056</u>
Dividends	<u>1,718</u>	<u>1,860</u>	<u>17,520</u>	<u>36,000</u>

Notes:

1. Fortei Holdings Limited (the "Company") was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 7th June, 1993 and became the holding company of the Fortei group of companies (collectively referred to as the "Group") as a result of a group reorganisation which became effective on 16th June, 1993.
2. The results for each of the three years ended 31st December, 1992 presented above have been extracted from the prospectus of the Company dated 22nd June, 1993 and have been prepared as if the current group structure had been in existence throughout the three years.
3. The results of the year ended 31st December, 1993 have been extracted from the audited consolidated profit and loss account set out on page 10 of the financial statements.
4. As the Company was incorporated on 7th June, 1993, the only balance sheets of the Group which have been prepared are those set out on page 11 of the financial statements.