



安權控股有限公司
FORTEI HOLDINGS LIMITED

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

年報 Annual Report 1999

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CORPORATE INFORMATION

Executive Directors	CHAN Yuk Sang (<i>Chairman</i>) FONG Yock Yee TSANG Chiu Ching TSANG Chiu Mo, Samuel
Independent Non-Executive Directors	SZETO King Pui, Albert YUNG Chi Hung
Company Secretary	SZETO King Pui, Albert
Registered Office	Clarendon House Church Street Hamilton HM 11 Bermuda
Registered Office in Hong Kong	9th Floor, Concord Technology Centre 98 Texaco Road Tsuen Wan, N.T. Hong Kong
Principal Bankers	Bank of China The Bank of East Asia Limited The Hongkong and Shanghai Banking Corporation Limited
Solicitors	Chan & Chiu Solicitors
Auditors	PricewaterhouseCoopers
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 Fortei Holdings Limited (the “Company”) will be held at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 24th July 2000 at 3:00 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 1999.
2. To elect Directors and to authorise the Board of Directors to fix their remuneration.
3. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.
4. 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 as at the date of this resolution 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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; 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 of members of the Company on a fixed record date in proportion to their then holdings of such 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 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.”

NOTICE OF ANNUAL GENERAL MEETING

- C. “**THAT** conditional upon resolution no. 4B 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 of the Company as mentioned in resolution no. 4B 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 the Directors of the Company pursuant to resolution no. 4A above.”

By Order of the Board
SZETO King Pui, Albert
Company Secretary

Hong Kong, 29th June 2000

Principal Office:

9th Floor, Concord Technology Centre
98 Texaco Road
Tsuen Wan
New Territories
Hong Kong

Notes:—

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy must be deposited at the office of the Company Secretary in Hong Kong at 25th Floor, Yue Hing Building, 103 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (3) The register of members of the Company will be closed from 17th July 2000 to 24th July 2000, both days inclusive, for the purpose of establishing entitlements of shareholders to vote at the annual general meeting. During this period, no share transfer can be registered. In order to qualify, all transfers must be lodged with the Company's branch registrars in Hong Kong, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 14th July 2000.

CHAIRMAN'S STATEMENT



I am pleased to present to the shareholders the annual report of Fortei Holdings Limited (the "Company") for the year ended 31st December 1999.

GROUP RESULTS

The audited consolidated turnover of the Company and its subsidiaries (the "Group") for the year ended 31st December 1999 amounted to HK\$51,704,000 (1998: HK\$138,271,000), and the loss attributable to shareholders amounted to HK\$55,771,000 (1998: HK\$63,590,000).

REVIEW AND OUTLOOK

For the year ended 31st December 1999, the Group's turnover, generated mainly from trading of general merchandise dropped to HK\$51,704,000 (1998: HK\$138,271,000), resulting in a loss attributable to shareholders of HK\$55,771,000 (1998: HK\$63,590,000).

Due to the structural change of market condition and the substantial fall in consumer demand in Hong Kong and the People's Republic of China in 1999, the Group suspended almost all the operation of the retail outlets which were all loss making. However, the Group is constantly looking for good opportunities to continue its existing business which will bring reasonable profits to the Group. The corporate and operational restructuring of the Group was accelerated after the take-over by the new management following the acquisition of a majority interest in the Company by Century Legend Limited in September 1999.



The Group under the new management has focussed its operation on the following three aspects:

- (1) recovery of debts – The Group has recovered about 60% of the Group's debts under the new management.
- (2) acquisition of assets – the Group has just completed the acquisition of a 40% minority stake in a software applications developer, Integrated Solutions Limited ("ISL") for a consideration of HK\$8 million. ISL is a renowned and respected member in the high-technology industry in Hong Kong with a history of 15 years. It is expected that this investment will bring reasonable return to the shareholders.

- (3) developing further opportunities – given the existing economic situations and under the keen competition, it is increasingly difficult to obtain good return in retail business, the Group is therefore constantly looking for new strategy partners to develop new business opportunities.

The Group intends to further realign its operational strategy with a view to further expanding its earning base. Efforts have also been made to keep operating costs under control and to implement a tight credit control policy. The Directors believe that the Group has the ability to overcome and profit from the challenges ahead.

APPRECIATION

Lastly, I would like to extend my sincere thanks to shareholders and business partners for their support and my fellow Directors and all staff of the Group for their valuable contributions during the year.

By order of the Board
CHAN Yuk Sang
Chairman

Hong Kong, 29th June 2000

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31st December 1999.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 11 to the accounts. An analysis of the Group's turnover and contribution to operating loss for the year is as follows:

	Turnover <i>HK\$'000</i>	Losses contributed to operating loss for the year <i>HK\$'000</i>
Design, marketing, distribution and retailing	34,029	26,116
Trading of textile fabrics	17,675	29,925
	<u>51,704</u>	<u>56,041</u>

Design, marketing, distribution and retailing are very much inter-related and form an integral part of the Group's overall marketing strategy to promote the FORTEI name and sales of sports and leather shoes, sports and leather wear under this brand name. The Directors consider any apportionment of the operating results between, or presentation of segment information on these activities would not be objective or meaningful.

All of the Group's products under the FORTEI name are sold to customers in the People Republic of China (the "PRC"), including Hong Kong and Macau. Due to proximity and close trading relationship of these areas, it is not possible to ascertain which are sold to end buyers in each of these areas, except for sales conducted in the Group's retail shops in Hong Kong amounting to HK\$7,291,000. It is the belief of the Directors that the balance of the Group's sales for the year is principally made to ultimate customers in the other areas of the PRC. During the year, all textile fabrics were sold to a customer in the PRC.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 16.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 14 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 10 to the accounts.

SHARE CAPITAL

Details of share capital of the Company are set out in note 13 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 38.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. CHAN Yuk Sang	<i>(appointed on 21st September 1999)</i>
Mr. FONG Yock Yee	<i>(appointed on 21st September 1999)</i>
Mr. TSANG Chiu Ching	<i>(appointed on 21st September 1999)</i>
Mr. TSANG Chiu Mo, Samuel	<i>(appointed on 21st September 1999)</i>
Mr. CHEUNG Chi Chung	<i>(resigned on 12th October 1999)</i>
Mr. CHEUNG Kam Wong	<i>(resigned on 12th October 1999)</i>
Mr. WONG Fan Tai	<i>(resigned on 12th October 1999)</i>
Ms. WANG Annie Chang Roe	<i>(resigned on 4th August 1999)</i>
Mr. KONG Yun Kan	<i>(resigned on 2nd August 1999)</i>
Mr. KWONG Yun Sing, Jarvis	<i>(resigned on 2nd August 1999)</i>

REPORT OF THE DIRECTORS

DIRECTORS *(Cont'd)*

Independent Non-Executive Directors:

Mr. SZETO King Pui, Albert	<i>(appointed on 1st January 2000)</i>
Mr. YUNG Chi Hung	<i>(appointed on 1st January 2000)</i>
Ms. CHEUNG Mei Ha, Jennifer	<i>(resigned on 12th October 1999)</i>
Mr. YAM Kam Kwong, Allen	<i>(resigned on 25th May 1999)</i>

Messrs. TSANG Chiu Ching and TSANG Chiu Mo, Samuel, the directors retiring by rotation in accordance with Bye-law 87(1) of the Company's Bye-laws and Messrs. CHAN Yuk Sang, FONG Yock Yee, SZETO King Pui, Albert and YUNG Chi Hung, the directors retiring in accordance with Bye-law 87(2) of the Company's Bye-laws, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out below:

Executive Directors:

Mr. CHAN Yuk Sang, aged 55, the Chairman and Managing Director of the Group, is responsible for the corporate policy making and strategic planning of the Group. Mr. Chan joined the Group in September 1999. He has over 30 years' experience in banking and finance industry and was a senior general manager of a local bank until November 1998. He was also a director of a listed company in Hong Kong from 1993 to 1995 and an executive director of a joint Chinese-foreign bank in Shenzhen till 1995.

Mr. FONG Yock Yee, aged 73, is responsible for providing advice to the Group regarding the garment business. Mr. Fong has been with the Group since September 1999. He has over 40 years' experience in garment industry in Hong Kong and the PRC. He is the director of two garment manufacturing companies, the Honorary Chairman of Hong Kong Tsuen Wan Industries and Commerce Association Limited, a director of Hong Kong Kwun Tong Industries and Commerce Association Limited and a Honorary Citizen of Zhongshan Municipality of the PRC. He was also the chairman and is newly appointed as the Advisory Board Vice-chairman of Yan Chai Hospital.

Mr. TSANG Chiu Ching, aged 24, who joined the Group in September 1999, is an Executive Director of the Company as well as a director of Century Legend Limited, a substantial shareholder of the Company. Mr. Tsang is responsible for the strategic development of the Company especially in evaluating potential investment. He passed the Options Clearing Officer Examination in 1997 and the Options Trading Officer and Representative Examination in 1998 held by The Stock Exchange of Hong Kong Limited. Mr. Tsang is experienced in financing, securities and futures investment, etc. He is the brother of Mr. TSANG Chiu Mo, Samuel.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Cont'd)***Executive Directors:** *(Cont'd)*

Mr. TSANG Chiu Mo, Samuel, aged 27, who joined the Group in September 1999, is an Executive Director of the Company, as well as a director of Century Legend Limited, a substantial shareholder of the Company. Besides overseeing the Company's Finance and Personnel and Administration Department, Mr. Tsang is also responsible for the Company's treasury and corporate finance functions. Mr. Tsang received his tertiary education in Canada and is experienced in various kind of business such as building construction, hotel management, financing and strategic investment, etc. He is the brother of Mr. TSANG Chiu Ching.

Independent Non-Executive Directors:

Mr. SZETO King Pui, Albert, aged 45, is a qualified solicitor in England and Wales and Hong Kong. He is a partner of Chan & Chiu Solicitors in Hong Kong.

Mr. YUNG Chi Hung, aged 38, has more than 10 years' experience in the field of property which includes property management, investment and sales and lettings. The property portfolio under his management covers a number of countries which include Hong Kong, Macau, Taiwan and PRC.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. SZETO King Pui, Albert is a partner of Chan & Chiu Solicitors, a firm of solicitors in Hong Kong which provides legal and professional services to the Group and receives normal professional fees for such services.

Save as disclosed above, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 1999 the interests of the Directors and Chief Executives in the shares, warrants and options of the Company and its associated corporation, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

Name	Number of shares in the Company beneficially held			
	Personal interest	Corporate interest	Family interest	Other interest
Mr. TSANG Chiu Ching	-	(note 1)	-	-
Mr. TSANG Chiu Mo, Samuel	-	(notes 1 and 2)	-	-

Notes:

- 289,463,300 shares were held by Century Legend Limited ("Century Legend"), which is owned as to 5% by Mr. TSANG Chiu Ching and 5% by Mr. TSANG Chiu Mo, Samuel respectively.
- 204,114,700 shares were deemed to be held by China Sky Finance Limited ("China Sky") by virtue of a Share Charge dated 6th December 1999 made between China Sky as chargee and Century Legend as chargor whereby Century Legend charged to China Sky by way of first fixed charge all of Century Legend's present and future right, title and interest in and to 204,114,700 shares in the Company. China Sky is 100% beneficially owned by Mr. TSANG Chiu Mo, Samuel. Both Mr. CHAN Yuk Sang and Mr. TSANG Chiu Mo, Samuel are directors of China Sky.

Save as disclosed above and the holding of certain nominees shares in trustee for the Group, none of the Directors and Chief Executives of the Company or their associates had any interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st December 1999.

At no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st December 1999 the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than Century Legend and China Sky as disclosed above.

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group had entered into one purchase transaction during the year.

The percentages of sales for the year attributable to the Group's major customers are as follows:

Sales

-	the largest customer	34%
-	five largest customers combined	62%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the supplier and the major customers noted above.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), at any time during the year ended 31st December 1999, save that only one/no Non-Executive Director was appointed during the period from 26th May 1999 to 31st December 1999 and the Non-Executive Directors were not appointed for a specific term but are subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company, and that there was no audit committee established by the Company prior to 1st January 2000.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee, comprising two Independent Non-Executive Directors, namely Messrs. SZETO King Pui, Albert and YUNG Chi Hung, was established on 1st January 2000.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

REPORT OF THE DIRECTORS

YEAR 2000 COMPLIANCE

Details of the Group's assessment of the Year 2000 problem, structure and progress of the compliance project have been disclosed in the interim report dated 29th September 1999. The Group became Year 2000 compliant in July 1999. The total costs of the Year 2000 projects was insignificant to the Group and have been fully expensed to the profit and loss account. The Group has no further commitments in respect of the Year 2000 project.

To date, the Group has not experienced any Year 2000 non-compliance issues. However, the Group is mindful that the Year 2000 problem may still persist into the year, therefore, there is still a possibility that a disruption to operations may be resulted. In addition, there is no assurance that equipment or services used by third parties on which the Group does or will rely, will be Year 2000 compliant throughout the year 2000. The failure of the systems or equipment or services used by third parties and on which the Group relies, could have a material impact on its business.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 19 to the accounts.

AUDITORS

Deloitte Touche Tohmatsu resigned as auditors of the Group on 29th June 1998. Coopers & Lybrand were then appointed to fill the casual vacancy and remained as the Group's auditors. In October 1998, Coopers & Lybrand merged their practice with Price Waterhouse and now practise in the name of PricewaterhouseCoopers. Apart from this, there were no changes in the auditors of the Group in any of the preceding three years.

The accounts have been audited by PricewaterhouseCoopers who retire, being eligible, offer themselves for re-appointment

On behalf of the Board

CHAN Yuk Sang

Chairman

Hong Kong, 29th June 2000



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central, Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF FORTEI HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 16 to 37 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29th June 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1999

		1999	1998
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	51,704	138,271
Cost of sales		<u>(47,004)</u>	<u>(112,567)</u>
Gross profit		4,700	25,704
Other revenues	2	4,032	8,036
Distribution costs		(11,670)	(65,534)
Administrative expenses		(13,824)	(19,751)
Other operating expenses		(9,252)	(1,905)
Provision for doubtful debts		<u>(30,027)</u>	<u>(1,140)</u>
Operating loss	3	(56,041)	(54,590)
Finance costs	4	<u>(92)</u>	<u>(1,552)</u>
Loss before taxation		(56,133)	(56,142)
Taxation	5	<u>362</u>	<u>(7,448)</u>
Loss attributable to shareholders	6 & 14	<u><u>(55,771)</u></u>	<u><u>(63,590)</u></u>
Loss per share	7	<u><u>(13.9) cents</u></u>	<u><u>(15.9) cents</u></u>

CONSOLIDATED BALANCE SHEET

as at 31st December 1999

	<i>Note</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Fixed assets	<i>10</i>	8,441	18,506
Current assets			
Inventories		–	28,771
Trade and other receivables		10,459	38,852
Short-term loan	<i>12</i>	24,050	29,831
Taxation recoverable		–	1,668
Bank balances and cash		5,997	11,759
		40,506	110,881
Current liabilities			
Trade and other payables		1,722	4,511
Trust receipts and import loans – secured		–	10,945
Due to former ultimate holding company		–	560
Taxation payable		–	8,041
Bank overdraft – secured		–	27
		1,722	24,084
Net current assets		38,784	86,797
		47,225	105,303
Financed by:			
Share capital	<i>13</i>	40,000	40,000
Reserves	<i>14</i>	7,225	65,303
Shareholders' funds		47,225	105,303
On behalf of the Board			

CHAN Yuk Sang
Director

TSANG Chiu Mo, Samuel
Director

BALANCE SHEET

as at 31st December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Investments in subsidiaries	11	41,519	132,844
Current assets			
Short-term loan	12	24,050	29,831
Account and other receivables		145	30
Tax recoverable		—	18
Bank balances and cash		5,906	95
		30,101	29,974
Current liabilities			
Other payables		1,223	521
Due to former ultimate holding company		—	510
		1,223	1,031
Net current assets		28,878	28,943
		70,397	161,787
Financed by:			
Share capital	13	40,000	40,000
Reserves	14	30,397	121,787
Shareholders' funds		70,397	161,787

On behalf of the Board

CHAN Yuk Sang
Director

TSANG Chiu Mo, Samuel
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 1999

	<i>Note</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Net cash inflow from operating activities	16	----- 2,916	----- 8,930
Returns on investments and servicing of finance			
Interest received		2,018	971
Interest paid		----- (92)	----- (1,552)
Net cash inflow/(outflow) from returns on investments and servicing of finance		----- 1,926	----- (581)
Taxation			
Net Hong Kong profits tax paid		----- (6,011)	----- (418)
Investing activities			
Purchase of fixed assets		(243)	(501)
Sale of fixed assets		454	130
Short-term loan made to a finance company		-	(28,000)
Repayment of short-term loan		----- 6,168	----- -
Net cash inflow/(outflow) from investing activities		----- 6,379	----- (28,371)
Increase/(decrease) in cash and cash equivalents		5,210	(20,440)
Cash and cash equivalents at 1st January		----- 787	----- 21,227
Cash and cash equivalents at 31st December		----- <u>5,997</u>	----- <u>787</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		5,997	11,759
Bank overdraft		-	(27)
Trust receipts and import loans		----- -	----- (10,945)
		----- <u>5,997</u>	----- <u>787</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31st December 1999

	<i>Note</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Revaluation deficit on leasehold properties	14	(2,307)	–
Loss for the year	14	<u>(55,771)</u>	<u>(63,590)</u>
		<u>(58,078)</u>	<u>(63,590)</u>

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 have been prepared on the following basis:

- (i) The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of leasehold properties.
- (ii) As a result of the adoption of the revised Hong Kong Statement of Standard Accounting Practice ("HKSSAP") 1 which became effective this year, certain comparative figures have been reclassified or extended accordingly.

(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, as appropriate.

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.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. 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 (Cont'd)

(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

Leasehold properties are interests in land and buildings and are stated at valuation or cost less accumulated depreciation.

Independent valuations are performed when the fair value of the leasehold properties differs materially from its carrying amount. In the intervening years, the Directors review the carrying value of the properties and adjustment is made where is necessary. Increase in valuation is 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. Upon the disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to retained earnings.

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

Leasehold land is depreciated over the period of the lease while other tangible fixed assets are depreciated at rates sufficient to write off their cost or valuation over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold land and buildings	2-5%
Motor vehicles	20%
Furniture and fixtures	15-50%

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 amount 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.

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)***(e) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Accounts receivable

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

(g) Revenue recognition

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.

Revenue from licence agreements is recognised when the underlying licenced products are sold.

(h) Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(i) Deferred taxation

Deferred taxation is accounted for at the current tax 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 an asset is expected to be payable or recoverable in the foreseeable future.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions 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.

(k) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

2. REVENUES AND TURNOVER

The Group is principally engaged in design, marketing, distribution and retailing of sports and leather shoes, sports and leather wear and trading of textile fabrics. Revenues recognised during the year are as follows:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Sale of goods – turnover	51,704	138,271
Other revenues		
Bank interest income	187	971
Interest income from short-term loan	2,218	1,831
Licence fee income	1,627	5,234
	4,032	8,036
Total revenues	55,736	146,307

3. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
<i>Crediting</i>		
Net reversal of write-down of inventories	–	780
Written back of forfeited contributions after net off retirement benefit charges	<u>171</u>	<u>76</u>
<i>Charging</i>		
Deficit on revaluation of leasehold properties not covered by previous surplus	1,515	–
Cost of inventories sold	47,004	112,567
Staff costs	6,270	24,324
Depreciation	1,109	2,386
Loss on disposal of fixed assets	748	1,905
Operating leases rental for land and buildings	6,836	27,742
Auditors' remuneration		
Current year	500	800
Underprovision in previous year	109	126
Exchange loss	68	24
Written off of fixed assets	<u>4,175</u>	<u>–</u>

4. FINANCE COSTS

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Interest on bank loans and overdrafts	<u>92</u>	<u>1,552</u>

NOTES TO THE ACCOUNTS

5. TAXATION

No Hong Kong profits tax has been provided as there is no estimated assessable profit for the year.

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

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Hong Kong profits tax	–	(351)
Over/(under) provision in previous years	362	(7,382)
Deferred taxation (<i>note 15</i>)	–	285
	<u>362</u>	<u>(7,448)</u>

Deferred taxation for the year has not been credited/(charged) in respect of the following:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Accelerated depreciation allowance	41	(41)
Taxation loss	5,402	5,727
Other timing differences	–	2,850
	<u>5,443</u>	<u>8,536</u>

6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$91,390,000 (1998: HK\$3,606,000).

7. LOSS PER SHARE

The calculation of loss per share are based on the Group's loss attributable to shareholders of HK\$55,771,000 (1998: HK\$63,590,000) and the 400,000,000 shares in issue throughout the year.

8. RETIREMENT BENEFIT COSTS

The Group contributes to a defined contribution retirement scheme which is available to all permanent employees. Contributions to the scheme by the Group and the employees are calculated as a percentage of the employees' basic salaries.

The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. All forfeited contributions totalling HK\$223,000 were utilised during the year and there was no outstanding forfeited contributions to reduce future contributions. There were no material unutilised forfeited contributions at balance sheet date.

Contributions totalling HK\$31,000 (1998: HK\$396,000) were payable to the fund at the year end and are included in accounts payable. The assets of the scheme are held separately from those of the Group in an independently administered fund.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Directors' fee – Non-Executive Directors	-----	-----
Other emoluments – Executive Directors	-----	-----
Basic salaries, housing allowances, other allowances and benefits in kind	1,519	2,765
Pensions:		
as Directors	28	123
Compensation for loss of office as Director, paid by:		
the Company	-----	-----
the Company's subsidiaries	-----	-----
	-----	-----
	1,547	2,888
	-----	-----
	1,547	3,025
	-----	-----

NOTES TO THE ACCOUNTS

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of Directors	
	1999	1998
HK\$ nil – HK\$1,000,000	12	11
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	1
	–	1

None of the Directors waived any emoluments in respect of the years ended 31st December 1999 and 1998.

- (b) The five highest paid individuals in the year ended 31st December 1999 include three directors (1998: three) of the Company whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (1998: two) during the year were as follows:

	1999	1998
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	496	1,063
Bonus	59	355
Pensions	6	33
Compensation for loss of office	–	–
	561	1,451

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	1999	1998
HK\$ nil – HK\$1,000,000	2	2

10. FIXED ASSETS – Group

	Leasehold properties		Motor	Furniture	Total
	in Hong	outside	vehicles	and	
	Kong	Hong Kong		fixtures	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation					
At 1st January 1999	15,166	808	1,224	10,963	28,161
Additions	-	-	-	243	243
Devaluation	(6,766)	-	-	-	(6,766)
Written off	-	-	(175)	(10,044)	(10,219)
Disposals	-	(808)	(889)	(844)	(2,541)
At 31st December 1999	<u>8,400</u>	<u>-</u>	<u>160</u>	<u>318</u>	<u>8,878</u>
Accumulated depreciation					
At 1st January 1999	2,682	79	964	5,930	9,655
Charge for the year	454	-	41	614	1,109
Devaluation	(2,944)	-	-	-	(2,944)
Written off	-	-	(119)	(5,925)	(6,044)
Disposals	-	(79)	(751)	(509)	(1,339)
At 31st December 1999	<u>192</u>	<u>-</u>	<u>135</u>	<u>110</u>	<u>437</u>
Net book value					
At 31st December 1999	<u>8,208</u>	<u>-</u>	<u>25</u>	<u>208</u>	<u>8,441</u>
At 31st December 1998	<u>12,484</u>	<u>729</u>	<u>260</u>	<u>5,033</u>	<u>18,506</u>
The analysis of the cost or valuation of the above assets at 31st December 1999 is as follows:					
At cost	-	-	160	318	478
At 1999 valuation	<u>8,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,400</u>
	<u>8,400</u>	<u>-</u>	<u>160</u>	<u>318</u>	<u>8,878</u>

NOTES TO THE ACCOUNTS

10. FIXED ASSETS – Group (Cont'd)

- (a) As at 31st December 1999, the leasehold properties are for own use. They are located in Hong Kong and the remaining terms of the leases are between twenty and fifty years.
- (b) Leasehold properties in Hong Kong were revalued at 31st August 1999 on the basis of their open market value by C.Y. Leung & Company Limited, an independent firm of chartered surveyors. The carrying amount of the leasehold properties would have been HK\$10,759,000 (1998: HK\$11,232,000) had they been stated at cost less accumulated depreciation.
- (c) At 31st December 1999, the net book value of fixed assets pledged as security for the Group's general banking facilities amounted to HK\$nil (1998: HK\$12,484,000).

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	1999	1998
	HK\$'000	HK\$'000
Unlisted shares, at cost	85,218	85,218
Amount due by subsidiaries	91,044	77,626
Amount due to subsidiaries	(15,836)	–
	<u>160,426</u>	<u>162,844</u>
Less: provision for diminution in value	(118,907)	(30,000)
	<u><u>41,519</u></u>	<u><u>132,844</u></u>

The amount due by/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

11 INVESTMENTS IN SUBSIDIARIES (Cont'd)

The following is a list of the subsidiaries at 31st December 1999:

Name of company	Place of incorporation	Issued and fully paid share capital	Attributable equity interest of the Group	Principal activity
Anluck Limited	Hong Kong	Ordinary HK\$100	60%	Garment trading
Everluck Enterprise Limited	Hong Kong	Ordinary HK\$100	100%	Trading of textile fabrics and general merchandise
Fortei (B.V.I.) Limited*	British Virgin Islands	Ordinary US\$630	100%	Investment holding
Fortei Far East Limited	Hong Kong	Ordinary HK\$2	100%	Retail of sports and leisure wear
Fortei International Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Fortei Licensing Limited	British Virgin Islands	Ordinary US\$0.01	100%	Holding of trademarks and licensing
Fortei Limited	Hong Kong	Ordinary HK\$10,000	100%	Property holding
Golden Cavalier Limited*	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Onpower Company Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred HK\$5,000,000	100%	Marketing and distribution of sports and leather shoes and sports and leisure wear

* Directly held by the Company

NOTES TO THE ACCOUNTS

11 INVESTMENTS IN SUBSIDIARIES (Cont'd)

The non-voting deferred shares practically carry no rights to dividends or to participate in any distribution in winding up. They carry no rights to receive notice of or to attend or vote at any general meeting.

12. SHORT-TERM LOAN

The short-term loan granted by the Company to a third party comprised loan principal of HK\$21,832,000 and related interest receivable of HK\$2,218,000. The loan is unsecured, interest bearing and was overdue as at 31st December 1999. Subsequent to year end date, the loan has been assigned to Tasmanian Treasure Limited, the former ultimate holding company of the Company at a consideration of HK\$24,050,000. The whole amount has been repaid to the Group up to the date of approval of this accounts.

13. SHARE CAPITAL

	Company	
	1999	1998
	HK\$'000	HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each	<u>60,000</u>	<u>60,000</u>
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each	<u>40,000</u>	<u>40,000</u>

Under the Company's share option 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. The subscription price of the option shares is set at a price equal to the higher of the nominal value of the Company's 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 offer of the option. Options granted are exercisable within three years from the date of grant.

There was no option outstanding at any time during the year. The Company has not issued any shares under the share option scheme to date.

14. RESERVES

	Group				Total <i>HK\$'000</i>
	Share premium <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	
At 1st January 1998	72,131	2,307	17,314	37,141	128,893
Loss for the year	—	—	—	(63,590)	(63,590)
At 31st December 1998	<u>72,131</u>	<u>2,307</u>	<u>17,314</u>	<u>(26,449)</u>	<u>65,303</u>
At 1st January 1999	72,131	2,307	17,314	(26,449)	65,303
Loss for the year	—	—	—	(55,771)	(55,771)
Revaluation deficit	—	(2,307)	—	—	(2,307)
At 31st December 1999	<u>72,131</u>	<u>—</u>	<u>17,314</u>	<u>(82,220)</u>	<u>7,225</u>

	Company			Total <i>HK\$'000</i>
	Share premium <i>HK\$'000</i>	Contribution surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
At 1st January 1998	72,131	84,918	(31,656)	125,393
Loss for the year	—	—	(3,606)	(3,606)
At 31st December 1998	<u>72,131</u>	<u>84,918</u>	<u>(35,262)</u>	<u>121,787</u>
At 1st January 1999	72,131	84,918	(35,262)	121,787
Loss for the year	—	—	(91,390)	(91,390)
At 31st December 1999	<u>72,131</u>	<u>84,918</u>	<u>(126,652)</u>	<u>30,397</u>

The capital reserve of the Group represents the difference between the nominal value of share capital issued by the Company and the nominal value of the share capital and share premium accounts of those companies forming the Group pursuant to a group reorganisation in 1993.

NOTES TO THE ACCOUNTS

14. RESERVES (Cont'd)

The contribution surplus of the Company represents the differences between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company at the time of the group reorganisation referred to above. Under the Companies Act 1981 of Bermuda (as amended), the contribution surplus is available for distribution to shareholders.

At 31st December 1999, the Company has no reserves available for distribution (1998: HK\$49,656,000).

15. DEFERRED TAXATION

	1999 HK\$'000	Group 1998 HK\$'000
At 1st January	-	285
Transfer to profit and loss account (note 5)	-	(285)
	<u> </u>	<u> </u>
At 31st December	<u> </u>	<u> </u>
The potential deferred taxation assets/(liabilities) not provided for in the accounts amounting to:		
Accelerated depreciation allowances	-	(41)
Taxation loss	22,572	17,170
	<u> </u>	<u> </u>
	<u>22,572</u>	<u>17,129</u>

The revaluation deficit of leasehold properties does not constitute a timing difference for deferred taxation purposes as any loss on disposal of the properties would not be subject to taxation.

16. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating loss to net cash inflow from operating activities

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Operating loss	(56,041)	(54,590)
Depreciation charge	1,109	2,386
Written off of fixed assets	4,175	–
Deficit on revaluation of leasehold properties not covered by previous surplus	1,515	–
Provision for doubtful debts	30,027	1,140
Loss on disposal of fixed assets	748	1,905
Decrease in inventories	28,771	70,049
(Increase)/decrease in trade and other receivables	(1,634)	7,777
Decrease in trade and other payables, including due to former ultimate holding company	(3,349)	(16,935)
Interest income	(2,405)	(2,802)
	<u>2,916</u>	<u>8,930</u>
Net cash inflow from operating activities	<u>2,916</u>	<u>8,930</u>

17. CONTINGENT LIABILITIES

	Company	
	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Guarantees for banking facilities utilised by subsidiaries	–	10,945
	<u>–</u>	<u>10,945</u>

NOTES TO THE ACCOUNTS

18. COMMITMENTS UNDER OPERATING LEASES

At 31st December 1999 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:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Within one year	–	6,787
In the second to fifth year inclusive	–	–
After the fifth year	–	–
	<hr/>	<hr/>
	–	6,787
	<hr/> <hr/>	<hr/> <hr/>

19. SUBSEQUENT EVENTS

The following material events took place subsequent to the balance sheet date:

- (a) Pursuant to a deed of assignment of 5th January 2000 entered between Tasmanian Treasure Limited (“Tasmanian”), the former ultimate holding company and Everluck Enterprise Limited (“Everluck”), a wholly-owned subsidiary of the Company, Everluck has assigned its right, interest, benefit and title in certain accounts receivables amounted to HK\$22,152,000 to Tasmanian at a consideration of HK\$9,800,000. The whole amount has been repaid to the Group up to the date of approval of this accounts.
- (b) Pursuant to a deed of assignment of 10th March 2000 entered between Tasmanian and the Company, the Company has assigned its right, interest, benefit and title in a short term loan receivable amounted to HK\$24,050,000 to Tasmanian at a consideration of HK\$24,050,000. The whole amount has been repaid to the Group up to the date of approval of this accounts.
- (c) On 26th April 2000, the Company completed a placement of a total 70,000,000 ordinary shares of HK\$0.10 each at price of HK\$0.20 to independent investors. The net proceeds from the placement are used as general working capital of the Group. The new shares rank pari passu with the existing shares in all respects.
- (d) On 28th April 2000, the Company entered into an agreement with Integrated Solutions Limited (“ISL”) and its shareholders whereby the Group acquired 40% of the enlarged issued share capital of ISL for a consideration of HK\$8 million. The consideration was satisfied by allotment and issue of 8,000,000 ordinary shares of the Company of HK\$0.10 each and a cash settlement of HK\$4 million. The new shares rank pari passu with the existing shares in all respects.

ISL is a software applications developer based in Hong Kong specialising in products for trading and manufacturing industries. The aforesaid transaction was completed on 1st June 2000.

20. ULTIMATE HOLDING COMPANY

During the year, Century Legend Limited became the ultimate holding company of the Company replacing Tasmanian, the former ultimate holding company. Both the present and former ultimate holding companies are incorporated in the British Virgin Islands.

21. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 29th June 2000.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31st December				
	1995	1996	1997	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>285,660</u>	<u>286,058</u>	<u>145,669</u>	<u>138,271</u>	<u>51,704</u>
Profit/(loss) attributable to shareholders	<u>6,997</u>	<u>21,103</u>	<u>(59,779)</u>	<u>(63,590)</u>	<u>(55,771)</u>

ASSETS AND LIABILITIES

	As at 31st December				
	1995	1996	1997	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	271,074	263,374	192,742	129,387	48,947
Total liabilities including minority interest	<u>(47,496)</u>	<u>(30,693)</u>	<u>(23,849)</u>	<u>(24,084)</u>	<u>(1,722)</u>
Shareholders' funds	<u>223,578</u>	<u>232,681</u>	<u>168,893</u>	<u>105,303</u>	<u>47,225</u>