

40. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable leases in respect of rented premises. The amount which is payable under these commitments in the following year is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Operating leases which expire:		
Within one year	9	3
In the second to fifth year inclusive	—	34
	<u>9</u>	<u>37</u>

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

41. RETIREMENT BENEFITS SCHEMES

The Group had defined contribution retirement schemes (the "Scheme") for its employees and the assets of the schemes are held under provident funds managed by independent trustees. With effect from 1 December 2000, the Scheme has become a "Top Up" scheme to supplement the minimum benefit under the mandatory provident fund scheme (the "MPF Scheme") for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The aggregate employers' contributions, net of forfeited contributions, which have been dealt with in the income statement of the Group were as follows:

	2001 HK\$'000	2000 HK\$'000
Gross employers' contributions	737	829
Less: Forfeited contributions utilised to offset employers' contributions for the year	(32)	(212)
Refund of balance (including forfeited contributions) upon termination of retirement benefits scheme of a subsidiary	—	(581)
Net employers' contributions charged to the income statement	<u>705</u>	<u>36</u>

42. SEGMENTAL INFORMATION

An analysis of the Group's turnover and profit from operations, by principal activities and by location of markets, was as follows:

	Turnover		Profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activities:				
Continuing operations:				
Garment sourcing and export	640,162	638,834	47,439	61,449
Property letting	19,725	32,224	19,509	(31,133)
	<u>659,887</u>	<u>671,058</u>	<u>66,948</u>	<u>30,316</u>
Discontinued operations:				
Retailing and department stores operations	—	4,970	—	(30,296)
	<u>659,887</u>	<u>676,028</u>	<u>66,948</u>	<u>20</u>

	Turnover				Profit from operations			
	Continuing		Discontinued		Continuing		Discontinued	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By location of markets:								
Hong Kong	20,182	31,781	—	4,970	18,847	(31,991)	—	(30,296)
People's Republic of China, excluding Hong Kong	—	319	—	—	(16)	670	—	—
United States of America	599,011	542,538	—	—	48,557	61,387	—	—
Europe	17,273	77,506	—	—	(263)	27	—	—
Canada	22,988	16,993	—	—	(175)	25	—	—
Others	433	1,921	—	—	(2)	198	—	—
	<u>659,887</u>	<u>671,058</u>	<u>—</u>	<u>4,970</u>	<u>66,948</u>	<u>30,316</u>	<u>—</u>	<u>(30,296)</u>

43. POST BALANCE SHEET EVENTS

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

- (a) As mentioned in note 7, the Company announced on 15 May 2001 that it has on that day entered into an agreement with Best Quarter Investments Limited (“Best Quarter”) and Chan Chin Yuen (“Mr. Chan”) to dispose of 211,579,420 shares of HK\$0.01 each in the issued share capital of 21CN (the “Sale Shares”) held by a wholly-owned subsidiary of the Company, for a consideration of HK\$88,863,356.40 of which HK\$5,000,000 was paid before the date of completion and the balance of HK\$83,863,356.40 is to be paid on 15 May 2002. Best Quarter is a company incorporated in the British Virgin Islands and Mr. Chan is the registered and beneficial owner of the entire issued share capital of Best Quarter. Both Best Quarter and Mr. Chan are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The consideration was determined with reference to the then market value of shares of 21CN. As at the closing of trading on 15 May 2001, the closing market price of shares of 21CN as quoted on the Stock Exchange was HK\$0.42 per share, which is equivalent to the purchase price per share of the Sale Shares. Best Quarter agreed that within twelve months from the date of completion of the agreement, it shall not dispose of any of the Sale Shares or any interest or charge or create or allow to exist any interest in or encumbrance over the interests of Best Quarter and of the Company under the Sale Shares saved for mortgage on the Sale Shares as mentioned below. Mr. Chan agreed to guarantee the performance of Best Quarter’s obligations in the agreement. Completion of the agreement took place on 1 June 2001.

On 1 June 2001, the Company and Best Quarter signed a deed of mortgage and assignment (the “Sale Shares Mortgage”), pursuant to which the Sale Shares are held by the Company through a wholly-owned subsidiary as security for the payment by Best Quarter of the balance of the consideration for the Sale Shares. The Sale Shares continue to be registered under the name of that wholly-owned subsidiary of the Company.

Also on 1 June 2001, the Company and Mr. Chan signed a deed of mortgage and assignment, pursuant to which the entire issued capital of 1 share of US\$1.00 of Best Quarter was charged to the Company as security for the payment by Best Quarter of the balance of the consideration for the Sale Shares.

Also on 1 June 2001, the Company and Mr. Chan entered into a call option agreement, under which the Company was granted a call option to purchase the entire issued share capital of Best Quarter. The exercise price of the option will be HK\$95,210,739. This option is exercisable at any time from the date of the call option agreement to 15 May 2002. The Company will comply with the Listing Rules when and if the call option is exercised to acquire Best Quarter.

The Company entered into the agreement for the disposal of the Sale Shares for the purpose of complying with its obligations under the Subscription Agreement referred to in note 7. The Sale Shares represented approximately 6.92% of the then issued share capital of 21CN. Upon completion of the disposal of the Sale Shares, the Group’s then interest in 21CN was reduced from approximately 13.27% to 6.35%. Pursuant to the Sale Shares Mortgage, the Company is also interested in 6.92% of the then issued share capital of 21CN representing the Sale Shares.

Details of the above are set out, inter alia, in the circular of the Company dated 5 June 2001.