(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of land and buildings.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 30 June each year. All material intercompany transactions and balances are eliminated on consolidation.

(d) Subsidiaries

A subsidiary is an enterprise which is controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Investments in subsidiaries in the Company's balance sheet are stated at cost less impairment losses, if any.

(e) Associates

An associate is an enterprise in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost less acquisition goodwill and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

In respect of subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful economic life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and impairment losses, if any.

In respect of associates, positive goodwill arising on the acquisition of an associate before 1 July 2001 is eliminated against reserves immediately on acquisition. For acquisition on or after 1 July 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful economic life.

Negative goodwill arising on acquisitions of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition. To the extent that negative goodwill relates to an expectation future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets. Negative goodwill in excess of the fair values of non-monetary assets acquired is recognised as income immediately.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

— for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

— for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a subsidiary or an associate during the year, any attributable amount of goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on reserves is included in the calculation of the gain or loss on disposal.

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

(i) Property, plant and equipment are carried in the balance sheets on the following bases:

— land use rights and buildings held for own use are stated in the balance sheet at cost or their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and

— other assets are stated in the balance sheet at cost or valuation less accumulated depreciation and impairment losses, if any.

(ii) Changes arising on the revaluation of land use rights and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserves in respect of that same asset immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

(iii) Subsequent expenditure relating to an asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Amortisation and depreciation

(i) Depreciation is calculated to write off the cost or revalued amount of property, plant and equipment on a straight line basis over their estimated useful lives as follows:

Buildings	The shorter of 20 years or the remaining terms of the leases
Leasehold improvements	5 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

(ii) Land use rights are amortised on a straight line basis over the remaining terms of the grant.

(i) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The recoverable amount of an asset is the greater of its net selling price and value in use.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Construction in progress

Construction in progress is stated at cost. Cost comprises direct costs of construction during the periods of construction and installation. Construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(h) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(l)(ii) below.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and the rate applicable.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

Inventories are valued at the lower of cost and net realisable value.

For self-manufactured inventories, cost includes the cost of materials computed using the standard costing basis and, in the case of work in progress and finished goods, direct labour and an appropriate portion of production overheads. Finished goods purchased are stated at cost computed on a weighted average basis.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

(p) Retirement scheme costs

Contributions to retirement schemes are charged to the income statement as and when they are incurred.

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(r) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(s) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are within three months of maturity when acquired. For the purposes of cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of certain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. TURNOVER

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing, retailing and distribution of apparel.

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts as follows:

	2002	2001
	$'000	*$'000*
Manufacturing, retailing and trading of apparel	**137,914**	121,368
Rental income from investment properties	**—**	1,539
	137,914	122,907

3. SEGMENT INFORMATION

During the year, SSAP 26 "Segment reporting" was adopted, as detailed in note 28 to the financial statements. Under SSAP 26, segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by geographical segment; and (b) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Since all of the Group's revenue, results, assets and liabilities are derived from manufacturing, retailing and trading of apparel, no separate analysis of financial information by business segment is presented.

(Expressed in Hong Kong dollars)

3. SEGMENT INFORMATION *(Continued)*

The following tables present revenue, results, assets, liabilities and other financial information for the Group's geographical segments.

	Hong Kong		Elsewhere in the People's Republic of China ("PRC")		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:						
Sales to external customers	**—**	1,539 (i)	**137,914**	121,368	**137,914**	122,907
Other revenue	**483**	4	**4,201**	4,113	**4,684**	4,117
Total revenue	**483**	1,543	**142,115**	125,481	**142,598**	127,024
Segment results	**(816)**	592	**(25,198)**	(17,710)	**(26,014)**	(17,118)
Interest income					**207**	231
Provision for diminution in value of properties held for sale					**—**	(6,005)
Impairment loss on goodwill					**(10,798)**	—
Share of loss of an associate					**(26)**	(48)
Loss from operating activities					**(36,631)**	(22,940)
Finance costs					**(1,953)**	(3,424)
Loss before taxation					**(38,584)**	(26,364)
Taxation					**(272)**	214
Loss attributable to shareholders					**(38,856)**	(26,150)
Segment assets	**17,820**	39,871	**112,988**	133,386	**130,808**	173,257
Tax recoverable					**23**	67
Total assets					**130,831**	173,324
Segment liabilities	**3,312**	3,609	**57,985**	82,701	**61,297**	86,310
Net assets					**69,534**	87,014

3. SEGMENT INFORMATION *(Continued)*

	Hong Kong		Elsewhere in PRC		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Other segment information:						
Capital expenditure	**—**	13,298	**8,412**	16,373	**8,412**	29,671
Depreciation	**153**	640	**11,372**	9,951	**11,525**	10,591
Provision for diminution in value of properties held for sale	**—**	6,005	**—**	—	**—**	6,005
Impairment loss on goodwill	**10,798**	—	**—**	—	**10,798**	—
Share of loss of an associate	**26**	48	**—**	—	**26**	48
Provision for bad and doubtful debt	**—**	—	**477**	531	**477**	531
Provision for obsolete inventories	**—**	—	**8,042**	12,228	**8,042**	12,228
Pre-operating expenses	**—**	—	**—**	1,413	**—**	1,413
Other receivable written off	**—**	8,341	**144**	—	**144**	8,341

(i) Rental income of $1,539,000 was derived from the lease of investment properties during the corresponding year ended 30 June 2001.

4. OTHER REVENUE

	2002	2001
	$'000	*$'000*
Interest income	**207**	231
Rental income	**1,705**	1,445
Sub-contracting fees	**2,465**	1,732
Other	**514**	940
	4,891	4,348

(Expressed in Hong Kong dollars)

5. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	2002	2001
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**1,946**	3,418
Others	**7**	6
	1,953	3,424

	2002	2001
	$'000	*$'000*
(b) Other items:		
Cost of inventories	**101,070**	81,347
Depreciation	**11,525**	10,591
Auditors' remuneration	**629**	694
Operating lease charges - property rentals	**19,841**	16,254
Staff costs (including retirement cost of $387,000 (2001: $301,000))	**29,632**	20,367
Other receivables written off	**144**	8,341
Loss on disposal of property, plant and equipment	**1,067**	17
Loss on disposal of interest in an associate	**889**	—
Pre-operating expenses written off	**—**	1,413
Rental income from investment properties less direct outgoings of $Nil (2001: $268,000)	**—**	(1,271)

(Expressed in Hong Kong dollars)

6. TAXATION

(a) Taxation in the consolidated income statement represents:

	2002	2001
	$'000	*$'000*
Taxation outside Hong Kong	**272**	252
Deferred taxation *(note 20)*	**—**	(466)
	272	(214)

No provision has been made in the financial statements for the year ended 30 June 2002 for Hong Kong Profits Tax as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

Taxation for the Group's operations outside Hong Kong is provided at the applicable rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the year.

(b) Taxation in the balance sheet represents:

	Group	
	2002	2001
	$'000	*$'000*
Provision for PRC taxation	**272**	252
Tax paid	**(295)**	(319)
Tax recoverable *(note 17)*	**(23)**	(67)

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Companies Ordinance is as follows:

	2002	2001
	$'000	*$'000*
(a) Executive directors		
Fees	**—**	—
Salaries and other emoluments	**4,492**	4,491
Retirement scheme contributions	**12**	7
	4,504	4,498

(Expressed in Hong Kong dollars)

7. DIRECTORS' REMUNERATION *(Continued)*

	2002	2001
	$'000	*$'000*

(b) Independent non-executive directors

Fees	**160**	160

(c) The remuneration of the directors is within the following bands:

	2002	2001
	Number of directors	Number of directors
$		
Nil - 1,000,000	**3**	3
1,000,001 - 1,500,000	**3**	3

(d) Share options

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. Details of these benefits in kind are disclosed in note 21(a).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2001: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other individual (2001: one) is as follows:

	2002	2001
	$'000	*$'000*
Salaries and other emoluments	**517**	546
Retirement scheme contributions	**12**	5
	529	551

(Expressed in Hong Kong dollars)

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the individual with the highest emoluments are within the following band:

	2002 Number of individuals	2001 Number of individuals
$		
Nil - 1,000,000	**1**	1

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of $50,565,000 (2001: $32,127,000) which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of $38,856,000 (2001: $26,150,000) divided by the weighted average of 819,463,000 ordinary shares (2001: 684,068,000 ordinary shares) in issue during the year. Fully diluted figures are not shown as there is no potential dilutive effect for the year ended 30 June 2002.

(Expressed in Hong Kong dollars)

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land use rights	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, and office equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation							
At 1 July 2001	3,042	63,361	39,219	14,621	9,060	6,542	135,845
Exchange adjustments	3	47	97	34	16	12	209
Additions	—	—	438	1,407	730	177	2,752
Transfer from construction in progress *(note 12)*	—	92	5,349	—	—	—	5,441
Disposals	—	—	(14,466)	—	(3,228)	(330)	(18,024)
At 30 June 2002	3,045	63,500	30,637	16,062	6,578	6,401	126,223
Representing:							
Cost	—	1,432	30,637	13,326	6,578	4,289	56,262
Valuation							
— 1994	—	—	—	2,736	—	2,112	4,848
— 1998	3,045	62,068	—	—	—	—	65,113
	3,045	63,500	30,637	16,062	6,578	6,401	126,223
Aggregate amortisation and depreciation							
At 1 July 2001	665	15,083	27,180	6,128	5,524	5,785	60,365
Exchange adjustments	1	12	62	12	9	10	106
Charge for the year	148	3,088	5,658	1,382	957	292	11,525
Written back on disposals	—	—	(14,176)	—	(2,449)	(297)	(16,922)
At 30 June 2002	814	18,183	18,724	7,522	4,041	5,790	55,074
Net book value							
At 30 June 2002	2,231	45,317	11,913	8,540	2,537	611	71,149
At 30 June 2001	2,377	48,278	12,039	8,493	3,536	757	75,480

(Expressed in Hong Kong dollars)

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

An analysis of the net book value of properties is as follows:

	Properties	
	2002	2001
	$'000	*$'000*
Held under medium-term leases:		
Outside Hong Kong	**47,548**	50,655

Notes:

(i) Land use rights and buildings of the Group in the PRC were revalued by directors on 30 June 1998 after taking into account a valuation report as at 28 February 1997 prepared by American Appraisal Hong Kong Limited, an independent firm of surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors. The directors determined that the open market value at 30 June 2002 did not materially differ from its net book value.

The carrying amount of the land use rights and buildings of the Group at 30 June 2002 would have been approximately $674,000 (2001: $713,000) and $11,416,000 (2001: $12,039,000) respectively had the land use rights and buildings been carried at cost less accumulated depreciation.

(ii) Certain plant and machinery and motor vehicles as at 30 April 1994 were valued by China Certified Accountant and Financial Management, a firm of valuers registered in the PRC. The valuation was carried out on a depreciated replacement cost basis.

The valuation was an one-off exercise which established the deemed costs of these assets. There has been no revaluation subsequent to the revaluation at 30 April 1994 as advantage has been taken of the transitional provisions set out in paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants.

These assets would have been fully depreciated at 30 June 2000 had they been carried at cost less accumulated depreciation.

(iii) The carrying amount of assets of the Group held for use in operating leases were $11,096,000 (2001: $11,620,000) and the related accumulated depreciation charges were $3,219,000 (2001: $3,193,000).

(Expressed in Hong Kong dollars)

12. CONSTRUCTION IN PROGRESS

	Group	
	2002	2001
	$'000	*$'000*
At 1 July	**8,236**	4,802
Exchange adjustments	**23**	9
Additions	**5,660**	11,680
Transfer to property, plant and equipment *(note 11)*	**(5,441)**	(8,255)
Transfer to subsidiary expenses	**(13)**	—
Write-off	**(207)**	—
At 30 June	**8,258**	8,236

13. INTEREST IN ASSOCIATES

	2002	2001
	$'000	*$'000*
Share of net assets	**—**	2,452

Particulars of an associate, which is an unlisted entity, are as follows:

Name of company	Place of incorporation	Proportion of ownership interest held by the Company	Proportion of ownership interest held by the subsidiary	Particulars of issued and paid up capital	Principal activity
Danco Group Limited	British Virgin Islands	—	49	US$50,000	Trading of medical equipment

Pursuant to a sale and purchase agreement dated 17 January 2002, 2,500,000 shares of L.A. Resources Limited (a former associate) were disposed of to an independent third party for a consideration of $1,537,000. In accordance with SSAP 30, the goodwill on acquisition of the former associate of $10,798,000, which was eliminated against reserves in the prior year, has been charged to the consolidated income statement during the current year as it is determined to be impaired.

(Expressed in Hong Kong dollars)

14. PROPERTIES HELD FOR SALE

During the year, the Group disposed of its properties held for sale for a total consideration of $12,300,000. As the carrying value of the properties was written down to $12,300,000 as at 30 June 2001, no profit or loss on the disposal is recorded in the consolidated income statement in the current year.

15. INTEREST IN SUBSIDIARIES

	Company	
	2002	2001
	$'000	*$'000*
Unlisted shares, at cost	**179,488**	179,488
Long term loan to a subsidiary	**6,500**	6,500
Amounts due from subsidiaries	**80,324**	79,628
Amount due to a subsidiary	**(1,755)**	(6,886)
	264,557	258,730
Less: Provision for impairment loss	**(180,244)**	(180,244)
Provision for doubtful debts	**(47,839)**	—
	36,474	78,486

The long term loan to a subsidiary at 30 June 2002 was unsecured, interest free and had no fixed term of repayment.

Details of the subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	**Place of incorporation/ establishment and operation**	**Percentage of equity held by the Company**	**Percentage of equity held by the subsidiary**	**Particulars of issued and paid up capital**	**Principal activity**
Benefashion Limited	Hong Kong	—	100	3,623,077 shares of US$1 each	No operation
Fun (Xiamen) Enterprise Corporation Limited	*PRC	—	100	S$15,300,000	Garment manufacturing and retailing
Anxi Fenfa Enterprise Company Limited	*PRC	—	100	S$1,000,000	Garment manufacturing

(Expressed in Hong Kong dollars)

15. INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Percentage of equity held by the Company	subsidiary	Particulars of issued and paid up capital	Principal activity
Anxi Sing Garments Company Limited	*PRC	—	100	$3,380,000	Garment manufacturing
Benefun (BVI) Limited	British Virgin Islands ("BVI")	100	—	1 share of US$1	Investment holding
Wylkeen Investment Limited	BVI	100	—	1 share of US$1	Investment holding
Fast Good Resources Limited	Hong Kong	—	100	2 shares of $1 each	No operation
Top Ace Enterprises Limited	Hong Kong	—	100	2 shares of $1 each	Provision of management services
Sunton Limited	BVI	—	100	1 share of US$1	Garment distribution

Note: * These are wholly foreign owned companies established in PRC.

16. INVENTORIES

	Group 2002 $'000	2001 $'000
Raw materials	**3,323**	5,412
Work in progress	**759**	3,463
Finished goods	**7,815**	35,175
	11,897	44,050

Included in finished goods are inventories of $3,294,000 (2001: $3,126,000), stated net of provision, made in order to state these inventories at the lower of their cost and estimated net realisable value. During the year, the Group reversed an amount of $12,228,000 (2001: $25,458,000) which was previously written down as that was subsequently not required.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Accounts receivable	**7,265**	7,336	**—**	—
Prepayments, deposits and other receivables	**9,819**	8,685	**86**	73
Tax recoverable *(note 6(b))*	**23**	67	**—**	—
	17,107	16,088	**86**	73

All the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are accounts receivable with the following ageing analysis:

	2002	2001
	$'000	*$'000*
Within 1 month	**3,540**	4,761
1 to 3 months	**3,311**	1,912
More than 3 months but less than 12 months	**964**	1,179
Over 12 months	**5,792**	5,349
Total accounts receivable before provision	**13,607**	13,201
Provision for doubtful debts	**(6,342)**	(5,865)
Net accounts receivable	**7,265**	7,336

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

18. BANK LOANS

The bank loans of the Group were repayable as follows:

	Group	
	2002	2001
	$'000	*$'000*
Within 1 year or on demand	**19,111**	35,980

(Expressed in Hong Kong dollars)

18. BANK LOANS *(Continued)*

The bank loans of the Group were secured as follows:

	Group	
	2002	2001
	$'000	*$'000*
Secured loans	**19,111**	31,263
Unsecured loans	**—**	4,717
	19,111	35,980

The bank loans of certain subsidiaries amounting to $16,556,000 (2001: $16,509,000) are secured by their properties with an aggregate carrying value of approximately $45,317,000 (2001: $48,123,000) at 30 June 2002.

At 30 June 2002, bank loans totalling $2,554,000 (2001: $3,774,000) are secured by the personal properties in PRC owned by a director of the Company.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Accounts payable	**15,240**	19,633	**—**	—
Other payable and accrued liabilities	**26,946**	30,697	**3,068**	3,018
	42,186	50,330	**3,068**	3,018

All the trade and other payables are expected to be settled within one year.

Included in trade and other payables are accounts payable with the following ageing analysis:

	2002	2001
	$'000	*$'000*
Within 1 month or demand	**8,217**	8,255
1 to 3 months	**558**	3,061
More than 3 months but within 6 months	**—**	2,596
Over 6 months	**6,465**	5,721
Total accounts payable	**15,240**	19,633

20. DEFERRED TAXATION

The potential deferred tax asset unprovided at 30 June 2002 amounting to approximately $14,375,000 (2001: $12,356,000) comprises the future benefit of tax losses in respect of subsidiaries. This asset has not been reflected in the financial statements in accordance with the Group's accounting policy.

Disposals of land use rights and buildings in the PRC are subject to land appreciation taxes. Such taxes are generally imposed at certain progressive rates on the assessable gains, which represent the excess of the sale proceeds over the purchase and other relevant costs incurred by the seller on the properties sold. No land appreciation tax liabilities was provided for in the financial statements in respect of the surpluses arising on revaluation of the Group's land use rights and buildings in the PRC, as the Group has no plan to dispose such assets in the foreseeable future.

There are no other significant potential deferred tax liabilities for which provision has not been made.

21. SHARE CAPITAL

	2002	2001
	$'000	*$'000*
Authorised		
10,000,000,000 ordinary shares of $0.01 each	**100,000**	—
1,000,000,000 ordinary shares of $0.10 each	**—**	100,000
Issued and fully paid		
At 1 July, 801,929,000 (2001: 668,329,000) ordinary shares of $0.10 each	**80,193**	66,833
Reduction of share capital	**(72,174)**	—
Issue of new shares	**1,600**	13,360
At 30 June, 961,929,000 ordinary shares of $0.01 each (2001: 801,929,000 ordinary shares of $0.10 each)	**9,619**	80,193

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

(Expressed in Hong Kong dollars)

21. SHARE CAPITAL *(Continued)*

(a) Share option scheme

Pursuant to a written resolution passed on 5 May 1997, a Share Option Scheme for employees was approved and the directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which will not be less than 80 per cent of the average closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher. To comply with the relevant rules of the Stock Exchange, which came into effect on 1 September 2001, options will be granted in the future at a price determined by the Board which will be the higher of

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted (together with shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

No option may be granted to any one employee which, if exercised in full, would results in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and remaining issuable to him or her under the Share Option Scheme, would exceed 25 per cent of the aggregate number of Shares for the time being issued and are issuable under the Share Option Scheme. To comply with the relevant new listing rules of Stock Exchange, unless approved by shareholders in the manner set out in the listing rules, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

The exercisable period of an option should not exceed a period of three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period.

The Share Option Scheme will remain in force for a period of 10 years commencing on 5 May 1997.

(Expressed in Hong Kong dollars)

21. SHARE CAPITAL *(Continued)*

(a) Share option scheme *(Continued)*

On 23 February 2000, the Company granted in total 19,833,000 share options for a total consideration of HK$3 to three executive directors at 6,611,000 share options each at a subscription price of $0.4496 per share. All these share options are exercisable on or after 23 August 2000 and will expire on 23 August 2003.

On 31 January 2001, the Company granted in total 11,200,000 share options for a total consideration of $5 to 4 executive directors and a senior executive at a subscription price of $0.16 per share. All these share options are exercisable on or after 31 July 2001 and will expire on 31 July 2004.

At 30 June 2002, the outstanding options are summarised as follows:

Date option granted	**Period during which options exercisable**	**Exercise price**	**Number of options outstanding at the year end**
31 January 2001	31 July 2001 to 30 July 2004	$0.16	11,200,000
23 February 2000	23 August 2000 to 22 August 2003	$0.4496	19,833,000

No share options have been exercised during the year.

(b) Reduction of share capital

Pursuant to a special resolution passed on 20 December 2001, the authorised capital of the Company was reduced from $100,000,000 divided into 1,000,000,000 ordinary shares of $0.10 each to $10,000,000 divided into 1,000,000,000 ordinary shares of $0.01 each and such reduction was effected by cancelling paid up capital to the extent of $0.09 upon each of the 801,929,000 ordinary shares in issue as at 26 October 2001.

It was also resolved that upon such reduction of share capital taking effect, the authorised capital of the Company was increased to its former amount of $100,000,000 by the creation of an additional 9,000,000,000 ordinary shares of $0.01 each. The reduction and restoration of the authorised share capital of the Company to $100,000,000 were confirmed by the sanction of an order of the Grand Court of the Cayman Islands dated 11 February 2002 and became effective on 19 February 2002.

(c) Issue of new shares

Pursuant to a placing agreement dated 2 May 2002, a total of 160,000,000 new ordinary shares of $0.01 each, ranking pari passu with the existing shares of the Company, were placed through a placing agent on a fully underwritten basis at a placing price of $0.07 per share. The closing market price was $0.086 per share as quoted on the Stock Exchange on 2 May 2002.

(Expressed in Hong Kong dollars)

22. RESERVES

(a) Group

	Share premium $'000 (Note i)	Legal reserve $'000 (Note iii)	Foreign exchange revaluation reserve $'000 (Note iv)	Revaluation reserve $'000 (Note iv)	Accumulated losses $'000	Total $'000
At 1 July 2001	106,362	3,090	1,613	27,470	(131,714)	6,821
Premium on placement of shares	9,600	—	—	—	—	9,600
Premium on share capital reduction	—	—	—	—	72,174	72,174
Share issue/reduction expenses	(113)	—	—	—	(510)	(623)
Transfer between reserves	—	—	—	(2,720)	2,720	—
Impairment loss on goodwill	—	—	—	10,798	—	10,798
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	1	—	—	1
Loss for the year	—	—	—	—	(38,856)	(38,856)
At 30 June 2002	**115,849**	**3,090**	**1,614**	**35,548**	**(96,186)**	**59,915**
At 1 July 2000	104,515	3,090	1,516	40,990	(108,286)	41,825
Premium on placement of shares	2,004	—	—	—	—	2,004
Share issue expenses	(157)	—	—	—	—	(157)
Transfer between reserves	—	—	—	(2,722)	2,722	—
Goodwill arising on acquisition of an associate	—	—	—	(10,798)	—	(10,798)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	97	—	—	97
Loss for the year	—	—	—	—	(26,150)	(26,150)
At 30 June 2001	106,362	3,090	1,613	27,470	(131,714)	6,821

Included in the Group's accumulated losses is a loss of $325,000 (2001: $299,000) being the Group's share of accumulated losses attributable to the associates.

22. RESERVES *(Continued)*

(b) Company

	Share premium $'000 (Note i)	Contributed surplus $'000 (Note ii)	Accumulated losses $'000	Total $'000
At 1 July 2001	106,362	65,261	(162,257)	9,366
Premium on placement of shares	9,600	—	—	9,600
Premium on share capital reduction *(Note v)*	—	—	72,174	72,174
Share issue/reduction expenses	(113)	—	(510)	(623)
Loss for the year	—	—	(50,565)	(50,565)
At 30 June 2002	**115,849**	**65,261**	**(141,158)**	**39,952**
At 1 July 2000	104,515	65,261	(130,130)	39,646
Premium on placement of shares	2,004	—	—	2,004
Share issue expenses	(157)	—	—	(157)
Loss for the year	—	—	(32,127)	(32,127)
At 30 June 2001	106,362	65,261	(162,257)	9,366

Notes:

(i) Under the Bye-Laws of the Company, the amount is distributable subject to certain restrictions.

(ii) The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme over the nominal value of the new shares of the Company issued in exchange of $65,261,000 is credited to the contributed surplus account. Under the Bye-Laws of the Company, contributed surplus is distributable subject to certain restrictions.

(iii) According to the relevant rules and regulations in PRC, companies should provide 10 per cent per annum of net income after tax as legal reserve until the balance reaches 50 per cent of the paid up capital, where further appropriation will be at the directors' recommendation.

(iv) The revaluation reserve and foreign exchange revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of property, plant and equipment and translation of the financial statements of foreign subsidiaries as set out in note 1. The transfer from revaluation reserve to retained earnings represents the reserve realised on the retirement or disposal of the revalued assets and the additional depreciation made during the year.

(v) During the year, the share capital of the Company was reduced as detailed in note 21(b). The premium on share capital reduction of $72,174,000, which was created by cancelling paid up capital to the extent of $0.09 on each of the 801,929,000 ordinary shares in issue as at 26 October 2001, is credited to accumulated losses.

(Expressed in Hong Kong dollars)

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash inflow from operation activities

	2002	2001
	$'000	*$'000*
Loss from ordinary activities before taxation	**(38,584)**	(26,364)
Interest income	**(207)**	(231)
Interest expense	**1,951**	3,424
Impairment loss on goodwill	**10,798**	—
Depreciation	**11,525**	10,591
Loss on disposal of property, plant and equipment	**1,067**	17
Write off construction in progress	**220**	—
Loss on disposal of an associate	**889**	—
Decrease in inventories	**32,153**	14,939
Decrease in properties held for sale	**12,300**	—
Decrease in accounts receivable	**71**	4,033
(Increase)/decrease in prepayments, deposits and other receivables	**(1,134)**	449
Decrease in amounts due from related companies	**—**	751
Decrease in accounts payable	**(4,393)**	(2,948)
(Decrease)/increase in other payables and accrued liabilities	**(3,751)**	12,353
Exchange difference	**(125)**	30
Provision for diminution in value of properties held for sale	**—**	6,005
Share of loss of an associate	**26**	48
Net cash inflow from operating activities	**22,806**	23,097

(Expressed in Hong Kong dollars)

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital (including premium)	Short term bank loans	Long term bank loans
	$'000	*$'000*	*$'000*
Balance at 1 July 2000	171,348	36,341	13,711
Proceeds	15,364	48,302	—
Repayments	—	(57,273)	(5,101)
Issue costs	(157)	—	—
Net cash inflow/(outflow) from financing activities	15,207	(8,971)	(5,101)
Balance at 30 June 2001	186,555	27,370	8,610
Balance at 1 July 2001	186,555	27,370	8,610
Proceeds	11,200	19,111	—
Repayments	—	(27,370)	(8,610)
Issue costs	(113)	—	—
Net cash inflow/(outflow) from financing activities	11,087	(8,259)	(8,610)
Reduction of share capital	(72,174)	—	—
Balance at 30 June 2002	125,468	19,111	—

24. CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2002.

(Expressed in Hong Kong dollars)

25. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out certain properties under operating leases. The leases typically run for an initial period of one to four years. None of the leases includes contingent rentals.

At 30 June 2002, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2002	2001
	$'000	*$'000*
Within one year	**761**	687
In the second to fifth years, inclusive	**816**	—
	1,577	687

(b) As lessee

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually fixed with a few of them increased annually to reflect market rentals. A minority of these leases includes contingent rentals which are determined based on percentage of sales.

At 30 June 2002, the Group had total future minimum lease payments under non-canellable operating leases falling due as follows:

	2002	2001
	$'000	*$'000*
Within one year	**15,349**	16,066
In the second to fifth years, inclusive	**21,387**	19,557
	36,736	35,623

SSAP 14 "Leases" was revised and implemented during the year, as detailed in note 28 to the financial statements. Certain new disclosures are required and have been included above. Comparative amounts for the new disclosures have also been included where appropriate.

26. MATERIAL RELATED PARTY TRANSACTIONS

At 30 June 2002, the Group had bank loans totalling $2,554,000 (2001: $3,774,000) secured by the personal properties in PRC owned by a director of the Company.

27. OUTSTANDING LITIGATION

A previous landlord of a subsidiary, Benefashion Limited ("Benefashion") disagreed with the early termination of an operating lease on a commercial property and has obtained a judgement against Benefashion. The previous landlord claimed compensation for early termination of approximately $7 million. The Company has not provided any undertaking or guarantee in respect of this lease. Benefashion is insolvent and is considering commencing a voluntary liquidation. Accordingly, no provision for the compensation claimed has been included in these financial statements.

28. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised SSAPs and related Interpretations are effective and adopted for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations — subsequent adjustment for fair values and goodwill initially reported"
- Interpretation 13: "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements in adopting these SSAPs and Interpretations, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The adoption of this revised SSAP has had no impact on these financial statements as there was no final dividend proposed for the current and previous years.

(Expressed in Hong Kong dollars)

28. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the accounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under the SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 25 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of this revised SSAP has had no effect on the financial statements as there was no proposed final dividend from subsidiaries for the current and previous years.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of the SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 3 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases applying to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of the SSAP has had no significant effect on the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has had no significant effect on the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and the liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated income statement over its estimated useful life. Negative goodwill is recognised in the consolidated income statement depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 1(f) to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of this SSAP and Interpretation 13 has not resulted in a prior year adjustment, as the Group has adopted the transitional provision of SSAP 30 which permits goodwill/negative goodwill in respect of acquisitions which occurred prior to 1 July 2001, to remain eliminated against/credited to consolidated reserves.

28. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reporting in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements.

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

SSAP 17 requires that impairment losses on property, plant and equipment are aggregated with accumulated depreciation. However, as there was no impairment loss on property, plant and equipment during the year, the adoption of revised SSAP 17 has had no effect on the financial statements.

The adoption of SSAP 10 and SSAP 21 has had no significant effect on the financial statements.

29. POST BALANCE SHEET EVENT

In August 2002, the Group established a wholly owned foreign investment enterprise in the PRC, Zhangzhou Golden River Estate Development Co. Ltd.（漳州市金河房地產開發有限公司）("ZGR"). In accordance with the Certificate of Approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macao and overseas Chinese in the People's Republic of China issued by Fujian Province Government, the approved total investment amount and the registered capital of ZGR are RMB18,920,000 and RMB13,300,000 respectively. In September 2002, the Group injected RMB13,300,000 into ZGR as registered capital. ZGR will be engaged in a property development project in Zhangzhou, PRC.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 17 to 53 were approved and authorised for issue by the Board of Directors on 11 October, 2002.