

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain property, plant and equipment and investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

| | |
|-------------------|--|
| SSAP 1 (revised) | : Presentation of financial statements |
| SSAP 11 (revised) | : Foreign currency translation |
| SSAP 15 (revised) | : Cash flow statements |
| SSAP 34 (revised) | : Employee benefits |

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(i) *SSAP 11 (revised): Foreign currency translation*

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. Despite a change in accounting policy, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior years.

(ii) *SSAP 15 (revised): Cash flow statements*

The presentation and classification of items in the consolidated cash flow statements have been changed due to the adoption of the SSAP 15 (revised). As a result, cash flows for the year ended 31st December, 2002 have been reclassified by operating, investing and financing activities. For the year ended 31st December, 2001, interest received of approximately HK\$3,947,000, dividend paid of HK\$61,920,000 and net cash outflow from taxation of approximately HK\$7,555,000 have been reclassified as operating cash flows, whereas interest paid of approximately HK\$7,225,000 has been reclassified as financing cash flow.

1 Principal accounting policies *(Continued)*

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries (the "Group") made up to 31st December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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 unamortised goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated exchange fluctuation reserve.

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 for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

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

The profit and loss account of overseas subsidiaries expressed in foreign currencies is translated into Hong Kong dollars at average exchange rates for the year whereas balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in the exchange fluctuation reserve and the cumulative exchange differences relating to the retained earnings are dealt with as a movement in the retained earnings account. At each balance sheet date, the exchange fluctuation reserve is subject to a review of impairment loss other than temporary and such impairment loss is transferred to the profit and loss account.

1 Principal accounting policies (Continued)

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January, 2001 was written off against reserves.

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(d) Textile quota entitlements

Permanent textile quota entitlements are stated at cost less accumulated amortisation and impairment losses and are amortised over a period of five years on a straight-line basis. The costs of temporary textile quota entitlements are charged to the profit and loss account in the year of acquisition.

(e) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

Notes to the Accounts

1 Principal accounting policies (Continued)

(f) Property, plant and equipment

Leasehold land and buildings other than investment properties (Note 1(e) above) and plant and machinery are stated at valuation. Fair value is determined by the directors based on independent valuations which are performed on an annual basis. If the fair value is in excess of the carrying amount of the relevant asset, the surplus is credited to the fixed assets revaluation reserve to the extent that it is not covered by deficits arising on prior valuations of that asset which have been previously charged to the profit and loss account. If the fair value is less than the carrying amount of the relevant asset the deficit is charged to the profit and loss account to the extent that it is not covered by surpluses arising on prior valuations of that asset which has been previously credited to the fixed assets revaluation reserve.

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets are depreciated at rates sufficient to write off their cost or valuation less accumulated impairment losses over their estimated useful lives to the Group on a straight-line basis. The principal annual rates are as follows:

| | |
|--|------------|
| Leasehold land | 2% |
| Buildings | 2% to 5% |
| Leasehold improvements | 5% to 20% |
| Plant and machinery | 10% to 20% |
| Furniture, office equipment and motor vehicles | 10% to 30% |

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.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties 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. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

1 Principal accounting policies *(Continued)*

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

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

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(k) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group makes contributions to the mandatory provident fund scheme (the "MPF Scheme") in Hong Kong, the assets of which are generally held in separate trustee-administered fund. The pension plan is generally funded by payments from employees and by the Group.

Notes to the Accounts

1 Principal accounting policies *(Continued)*

(k) Employee benefits *(Continued)*

(ii) Pension obligations (Continued)

The Group's contributions to the MPF 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.

(iii) Equity compensation benefits

Share options are granted to full-time directors and employees of the Group. No compensation cost is recognised on the date of the grant of the options. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation 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.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

1 Principal accounting policies *(Continued)*

(o) 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 shipment is made.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognised on a straight-line basis.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments by location of customers be presented as the primary reporting format. Business segments are not presented as the secondary reporting format because the Group's turnover and operating profit were solely contributed by garment manufacturing business.

Unallocated costs represent corporate expenses. Segment assets by location of customers consist primarily of permanent textile quota entitlements and trade receivables, and mainly exclude goodwill, fixed assets, inventories, other receivables and operating cash. Capital expenditure comprises additions to fixed assets.

2 Turnover, revenue and segment information

The Group is principally engaged in garment manufacturing. Revenues recognised during the year are as follows:

| | 2002 | 2001 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Sale of apparel products | 1,060,437 | 1,146,426 |
| Other revenues | | |
| Gross rental income from investment properties | 488 | 733 |
| Interest income | 2,201 | 3,947 |
| | 2,689 | 4,680 |
| Total revenues | 1,063,126 | 1,151,106 |

The Group's turnover and operating profit were solely contributed by garment manufacturing business. The customers are located in five main geographical areas: United States of America, Europe, Canada, Southeast Asia and other countries.

2 Turnover, revenue and segment information (Continued)

Primary reporting format – geographical segments by location of customers for 2002

| | United States of America | Europe | Canada | Southeast Asia | Other countries | Group |
|---|--------------------------------|----------|----------|-------------------|--------------------|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 898,298 | 72,038 | 50,303 | 33,282 | 6,516 | 1,060,437 |
| Segment results | 42,862 | (535) | 1,563 | 825 | 256 | 44,971 |
| Unallocated other revenues | | | | | | 829 |
| Unallocated cost | | | | | | (37,691) |
| Transfer from exchange fluctuation reserve | | | | | | (100,000) |
| Operating loss | | | | | | (91,891) |
| Finance costs | | | | | | (3,515) |
| Loss before taxation | | | | | | (95,406) |
| Taxation | | | | | | (3,168) |
| Loss after taxation | | | | | | (98,574) |
| Minority interests | | | | | | (337) |
| Loss attributable to shareholders | | | | | | (98,911) |
| Segment assets | 84,749 | 6,934 | 6,445 | 9,734 | 467 | 108,329 |
| Unallocated assets | | | | | | 402,127 |
| Total assets | | | | | | 510,456 |
| Unallocated liabilities | | | | | | 201,860 |
| Capital expenditure | | | | | | 10,133 |
| Depreciation | | | | | | 20,970 |
| Amortisation of goodwill | | | | | | 1,610 |
| Goodwill written off | | | | | | 1,077 |
| Amortisation of permanent textile quota entitlements | 2,030 | – | – | – | – | 2,030 |

Notes to the Accounts

2 Turnover, revenue and segment information (Continued)

Primary reporting format – geographical segments by location of customers for 2001

| | United States of America HK\$'000 | Europe HK\$'000 | Canada HK\$'000 | Southeast Asia HK\$'000 | Other countries HK\$'000 | Group HK\$'000 |
|---|--|--------------------|--------------------|-------------------------------|--------------------------------|-------------------|
| Turnover | 958,947 | 90,935 | 53,542 | 32,841 | 10,161 | 1,146,426 |
| Segment results | 139,221 | 12,197 | 7,609 | 4,693 | 1,483 | 165,203 |
| Unallocated other revenues | | | | | | 2,396 |
| Unallocated cost | | | | | | (53,540) |
| Operating profit | | | | | | 114,059 |
| Finance costs | | | | | | (7,225) |
| Profit before taxation | | | | | | 106,834 |
| Taxation | | | | | | (13,613) |
| Profit after taxation | | | | | | 93,221 |
| Minority interests | | | | | | 1,813 |
| Profit attributable to shareholders | | | | | | 95,034 |
| Segment assets | 92,545 | 8,450 | 2,723 | 7,137 | 1,647 | 112,502 |
| Unallocated assets | | | | | | 409,077 |
| Total assets | | | | | | 521,579 |
| Unallocated liabilities | | | | | | 191,746 |
| Capital expenditure | | | | | | 68,461 |
| Depreciation | | | | | | 18,695 |
| Amortisation of goodwill | | | | | | 1,502 |
| Amortisation of permanent textile quota entitlements | 2,281 | – | – | – | – | 2,281 |

2 Turnover, revenue and segment information (Continued)

Primary reporting format – geographical segments by location of assets

| | Total assets 2002 HK\$'000 | Capital expenditure 2002 HK\$'000 |
|--------------------------|----------------------------------|--|
| Hong Kong | 196,641 | 1,823 |
| Indonesia | 208,003 | 2,782 |
| Lesotho | 48,992 | 2,700 |
| El Salvador | 37,794 | 1,861 |
| Vietnam | 10,010 | – |
| China | 5,157 | 967 |
| | <hr/> | <hr/> |
| | 506,597 | 10,133 |
| | <hr/> | <hr/> |
| Unallocated assets | 3,859 | |
| | <hr/> | |
| | 510,456 | |
| | <hr/> | |
| | Total assets 2001 HK\$'000 | Capital expenditure 2001 HK\$'000 |
| Hong Kong | 190,647 | 3,707 |
| Indonesia | 200,525 | 12,365 |
| Lesotho | 57,150 | 33,572 |
| El Salvador | 62,348 | 17,024 |
| China | 4,264 | 1,793 |
| United States of America | 99 | – |
| | <hr/> | <hr/> |
| | 515,033 | 68,461 |
| | <hr/> | <hr/> |
| Unallocated assets | 6,546 | |
| | <hr/> | |
| | 521,579 | |
| | <hr/> | |

Notes to the Accounts

3 Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---|------------------|------------------|
| <i>Crediting</i> | | |
| Gain on disposal of fixed assets | – | 408 |
| Net exchange gains | 509 | – |
| <i>Charging</i> | | |
| Cost of inventories sold | 887,833 | 886,226 |
| Depreciation of fixed assets | 20,970 | 18,695 |
| Staff costs (excluding directors' emoluments) (Note 10) | 164,636 | 142,741 |
| Operating lease – land and buildings | 10,001 | 10,415 |
| Loss on disposal of fixed assets | 60 | – |
| Amortisation of goodwill | 1,610 | 1,502 |
| Goodwill written off | 1,077 | – |
| Amortisation of permanent textile quota entitlements | 2,030 | 2,281 |
| Auditors' remuneration | 1,589 | 1,304 |
| Net exchange losses | – | 826 |

4 Transfer from exchange fluctuation reserve

In accordance with the Group's accounting policy, exchange losses arising from the translation of Indonesian subsidiaries accounts were dealt with in the exchange fluctuation reserve. As a result of the prolonged devaluation of Indonesian Rupiah against Hong Kong dollars since the date of acquisition of the Indonesian subsidiaries, a portion of the exchange fluctuation reserve amounting to HK\$100,000,000 is considered to be permanently impaired. Such amount is recognised in the profit and loss account for the year ended 31st December, 2002 by way of a transfer from the exchange fluctuation reserve.

5 Finance costs

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| Interest on bank loans and overdrafts wholly repayable within five years | 3,515 | 7,225 |

6 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| Hong Kong profits tax | | |
| – current | 2,100 | 13,750 |
| – under/(overprovision) in prior years | 39 | (137) |
| Overseas taxation | 1,029 | – |
| | 3,168 | 13,613 |

No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material. The surpluses arising from the revaluation of the Group's land and buildings in Indonesia, and plant and machinery do not constitute a timing difference.

7 (Loss)/profit attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of profit of HK\$42,430,000 (2001: HK\$88,920,000).

8 Dividends

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---|------------------|------------------|
| Interim, paid, of HK\$0.028 (2001: HK\$0.06) per ordinary share | 10,080 | 21,600 |
| Final, proposed, of HK\$0.02 (2001: HK\$0.072) per ordinary share | 7,201 | 25,920 |
| | 17,281 | 47,520 |

9 (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$98,911,000 (2001: profit attributable to shareholders of HK\$95,034,000) and the weighted average of 360,011,271 (2001: 360,000,000) ordinary shares in issue during the year.

Notes to the Accounts

9 (Loss)/earnings per share (Continued)

The exercise of the share options granted by the Group would have an anti-dilutive effect on the loss per share for the year ended 31st December, 2002 (2001: The Company has no dilutive potential ordinary shares).

10 Staff costs (excluding directors' emoluments)

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| Wages and salaries | 160,605 | 137,625 |
| Termination benefits | 2,356 | 3,163 |
| Pension costs – mandatory provident fund scheme (Note) | 1,675 | 1,953 |
| | 164,636 | 142,741 |

Note:

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1st December, 2000.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

For employees whose basic salaries are in excess of HK\$20,000 per month, the employees may choose to make voluntary contributions at 5%, 7.5% or 10% of their salaries on a monthly basis. The Group shall then make 5% of their salaries as voluntary contributions for such employees. The employees are entitled to 100% of the Group's contributions after ten completed years of service, or at an increasing scale of between 30% to 90% after completion of three to nine years of service. Where an employee leaves the Group before the Group's contribution has fully vested, such forfeited contributions may be used by the Group to reduce its existing level of contributions. Forfeited contributions totaling HK\$36,000 (2001: HK\$6,000) were utilised during the year leaving HK\$5,000 (2001: HK\$8,000) available at the year-end to reduce future contributions.

The MPF Scheme cost charged to the consolidated profit and loss account represents contributions payable by the Group to the MPF Scheme.

Except for the MPF Scheme, the Group did not have any other provident fund scheme available for its employees during the year.

11 Directors' and senior management's emoluments

(a) Directors emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| Fees | | |
| Independent non-executive directors | 403 | 474 |
| Non-executive director | – | 76 |
| Executive directors | 400 | 400 |
| | 803 | 950 |
| Other emoluments | | |
| Basic salaries, housing allowances, other allowances and benefits in kind | 9,417 | 8,922 |
| Discretionary bonuses | – | 6,200 |
| Contributions to mandatory provident fund scheme | 332 | 360 |
| | 9,749 | 15,482 |
| | 10,552 | 16,432 |

The emoluments of the directors fell within the following bands:

| | Number of directors | |
|-------------------------------|---------------------|----------|
| | 2002 | 2001 |
| HK\$Nil – HK\$1,000,000 | 6 | 5 |
| HK\$1,000,001 – HK\$1,500,000 | 1 | – |
| HK\$1,500,001 – HK\$2,000,000 | – | 1 |
| HK\$2,000,001 – HK\$2,500,000 | – | 1 |
| HK\$3,000,001 – HK\$3,500,000 | 1 | – |
| HK\$4,500,001 – HK\$5,000,000 | 1 | – |
| HK\$5,000,001 – HK\$5,500,000 | – | 1 |
| HK\$6,500,001 – HK\$7,000,000 | – | 1 |
| | 9 | 9 |

None of the directors has waived emoluments in respect of the years ended 31st December, 2002 and 2001.

Notes to the Accounts

11 Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: two) individuals during the year are as follows:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---|------------------|------------------|
| Basic salaries, housing allowances, other allowances and benefits in kind | 2,158 | 2,045 |
| Discretionary bonuses | – | 972 |
| Contributions to mandatory provident fund scheme | 48 | 52 |
| | 2,206 | 3,069 |

The emoluments fell within the following bands:

| | Number of individuals | |
|-------------------------------|-----------------------|------|
| | 2002 | 2001 |
| HK\$1,000,001 – HK\$1,500,000 | 2 | – |
| HK\$1,500,001 – HK\$2,000,000 | – | 2 |

12 Goodwill

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| Cost | 8,048 | 8,048 |
| Accumulated amortisation and impairment losses | (4,189) | (1,502) |
| Net book amount | 3,859 | 6,546 |
| | | HK\$'000 |
| At 1st January, 2002 | | 6,546 |
| Amortisation | | (1,610) |
| Amount written off | | (1,077) |
| At 31st December, 2002 | | 3,859 |

On 31st December, 2002, one of the subsidiaries, Supreme Bright Group Limited which was engaged in garment manufacturing, ceased its operations and the respective goodwill was written off accordingly.

13 Permanent textile quota entitlements

| | Group | |
|--|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Cost | | |
| At 1st January | 13,237 | 14,256 |
| Exchange adjustment | 2,162 | (1,019) |
| At 31st December | 15,399 | 13,237 |
| Accumulated amortisation and impairment losses | | |
| At 1st January | 11,162 | 9,565 |
| Exchange adjustment | 1,824 | (684) |
| Amortisation for the year | 2,030 | 2,281 |
| At 31st December | 15,016 | 11,162 |
| Net book value at 31st December | 383 | 2,075 |

Notes to the Accounts

14 Fixed assets

| | Group | | | | | | | |
|--|------------------------------|-------------------|-----------------|------------------------------|--------------|---------------------|--|----------|
| | Leasehold land and buildings | | | Investment | Leasehold | Plant and machinery | Furniture, office equipment and motor vehicles | Total |
| | Held in Hong Kong | Held in Indonesia | Held in Lesotho | properties held in Hong Kong | improvements | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost or valuation | | | | | | | | |
| At 1st January, 2002 | 10,601 | 54,333 | 9,474 | 9,900 | 11,695 | 80,079 | 21,415 | 197,497 |
| Exchange adjustment | – | 4,567 | – | – | – | 6,417 | 864 | 11,848 |
| Additions | – | 356 | 293 | – | 89 | 5,090 | 4,305 | 10,133 |
| Disposals | – | – | – | – | – | (211) | (1,705) | (1,916) |
| Transfers | 9,900 | – | – | (9,900) | – | (62) | 62 | – |
| Revaluation | (650) | (4,040) | (494) | – | – | (22,582) | – | (27,766) |
| At 31st December, 2002 | 19,851 | 55,216 | 9,273 | – | 11,784 | 68,731 | 24,941 | 189,796 |
| Accumulated depreciation and impairment losses | | | | | | | | |
| At 1st January, 2002 | – | – | – | – | 7,807 | – | 10,283 | 18,090 |
| Charge for the year | 650 | 2,930 | 494 | – | 834 | 12,238 | 3,824 | 20,970 |
| Disposals | – | – | – | – | – | (116) | (977) | (1,093) |
| Revaluation | (650) | (2,930) | (494) | – | – | (12,122) | – | (16,196) |
| At 31st December, 2002 | – | – | – | – | 8,641 | – | 13,130 | 21,771 |
| Net book value | | | | | | | | |
| At 31st December, 2002 | 19,851 | 55,216 | 9,273 | – | 3,143 | 68,731 | 11,811 | 168,025 |
| At 31st December, 2001 | 10,601 | 54,333 | 9,474 | 9,900 | 3,888 | 80,079 | 11,132 | 179,407 |

14 Fixed assets (Continued)

The analysis of the cost or valuation at 31st December, 2002 of the above assets is as follows:

| | Leasehold land and buildings | | | Investment | Leasehold | Plant and machinery | Furniture, office equipment and motor vehicles | Total |
|-------------------|------------------------------|-------------------|-----------------|------------------------------|---------------|---------------------|--|---------|
| | Held in Hong Kong | Held in Indonesia | Held in Lesotho | properties held in Hong Kong | improve-ments | | HK\$'000 | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 | |
| At cost | - | - | - | - | 11,784 | - | 24,941 | 36,725 |
| At 2002 valuation | 19,851 | 55,216 | 9,273 | - | - | 68,731 | - | 153,071 |
| | 19,851 | 55,216 | 9,273 | - | 11,784 | 68,731 | 24,941 | 189,796 |

The analysis of the cost or valuation at 31st December, 2001 of the above assets is as follows:

| | Leasehold land and buildings | | | Investment | Leasehold | Plant and machinery | Furniture, office equipment and motor vehicles | Total |
|-------------------|------------------------------|-------------------|-----------------|------------------------------|---------------|---------------------|--|---------|
| | Held in Hong Kong | Held in Indonesia | Held in Lesotho | properties held in Hong Kong | improve-ments | | HK\$'000 | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 | |
| At cost | - | - | - | - | 11,695 | - | 21,415 | 33,110 |
| At 2001 valuation | 10,601 | 54,333 | 9,474 | 9,900 | - | 80,079 | - | 164,387 |
| | 10,601 | 54,333 | 9,474 | 9,900 | 11,695 | 80,079 | 21,415 | 197,497 |

14 Fixed assets (Continued)

Notes:

- (a) The Group's interests in investment properties and land and buildings at their net book values are analysed as follows:

| | Group | |
|----------------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| In Hong Kong, held on: | | |
| Leases of between 10 to 50 years | 19,851 | 20,501 |
| In Indonesia, held on: | | |
| Leases of between 10 to 50 years | 55,216 | 54,333 |
| In Lesotho, held on: | | |
| Leases of less than 10 years | 9,273 | 9,474 |
| | 84,340 | 84,308 |

- (b) Leasehold land and buildings and investment properties in Hong Kong were revalued as at 31st December, 2002 by Vigers Hong Kong Limited, an independent property valuer, on an open market value basis.
- (c) The fixed assets in Indonesia comprising leasehold land and buildings, plant and machinery were revalued by PT Vigers Hagai Surabaya, an independent qualified surveyor in Indonesia and a member of the Vigers International, as at 31st December, 2002. The land and buildings were revalued on an open market value basis. The plant and machinery were revalued at their depreciated replacement costs which were appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history.
- (d) The carrying amount of leasehold land and buildings in Hong Kong, Indonesia and Lesotho and plant and machinery would have been HK\$27,031,000, HK\$18,314,000 and HK\$9,273,000 and HK\$63,224,000 (2001: HK\$10,601,000, HK\$16,322,000, HK\$9,474,000 and HK\$61,971,000) respectively for the Group had they been stated at cost less accumulated depreciation.

15 Investments in subsidiaries

| | Company | |
|---------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Investment at cost: | | |
| Unlisted shares | 165,939 | 165,939 |

Details of principal subsidiaries are set out in Note 26 to the accounts.

16 Inventories, at cost

| | Group | |
|------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Raw materials | 77,998 | 69,999 |
| Work in progress | 30,085 | 27,731 |
| Finished goods | 10,578 | 9,615 |
| Goods in transit | 11,474 | 20,621 |
| | 130,135 | 127,966 |

17 Trade and other receivables

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| Trade receivables (<i>Note</i>) | 101,811 | 104,593 | – | – |
| Prepayments, deposits and other receivables | 18,467 | 21,233 | 81 | – |
| | 120,278 | 125,826 | 81 | – |

Notes to the Accounts

17 Trade and other receivables (Continued)

Note:

The majority of the Group's turnover is on letter of credit at sight to 90 days. The remaining balances of turnover are without specific credit terms. The ageing analysis of trade receivables was as follows:

| | Group | |
|----------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Within 30 days | 57,249 | 65,072 |
| 31-60 days | 28,790 | 21,196 |
| 61-90 days | 9,235 | 10,665 |
| Over 90 days | 6,537 | 7,660 |
| | 101,811 | 104,593 |

18 Trade and other payables

| | Group | | Company | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| Trade payables | 86,660 | 75,063 | – | – |
| Other payables and accruals | 17,217 | 27,652 | 287 | 6,435 |
| | 103,877 | 102,715 | 287 | 6,435 |

The ageing analysis of trade payables was as follows:

| | Group | |
|----------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Within 30 days | 45,539 | 39,225 |
| 31-60 days | 17,314 | 14,559 |
| 61-90 days | 5,528 | 14,268 |
| Over 90 days | 18,279 | 7,011 |
| | 86,660 | 75,063 |

19 Bank loans and overdrafts

| | Group | |
|--|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Bank loans, wholly repayable within one year | | |
| – secured (<i>Note</i>) | 22,899 | 10,071 |
| – unsecured | 45,844 | 52,292 |
| Bank overdrafts, unsecured | 401 | 2,319 |
| | 69,144 | 64,682 |

Note: Certain leasehold land and buildings of the Group with an aggregate carrying value of approximately HK\$20 million (2001: HK\$21 million) have been pledged as securities for the above secured bank loans.

20 Share capital

Authorised

| | Ordinary shares of HK\$0.10 each | |
|--|-------------------------------------|----------|
| | Number of shares | HK\$'000 |
| At 1st January and 31st December, 2002 | 2,000,000,000 | 200,000 |

Issued and fully paid

| | Ordinary shares of HK\$0.10 each | |
|---------------------------------|-------------------------------------|---------------|
| | Number of shares | HK\$'000 |
| At 1st January, 2002 | 360,000,000 | 36,000 |
| Issue of shares (<i>Note</i>) | 34,000 | 3 |
| At 31st December, 2002 | 360,034,000 | 36,003 |

Note: On 3rd September, 2002, 34,000 ordinary shares of HK\$0.1 each were issued at a premium of HK\$0.806 each upon exercise of options by an employee.

20 Share capital (Continued)

Share options

(a) *Share option scheme adopted on 23rd February, 2000 (the "Old Scheme")*

The sole shareholder of the Company approved the Old Scheme on 23rd February, 2000, under which the directors of the Company are authorised to grant options to directors or full-time employees of the Company or its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Old Scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Old Scheme. Under the terms of the Old Scheme, the directors of the Company granted options to certain full-time employees (including executive directors) of the Company or its subsidiaries on 31st August, 2001 to subscribe for a total of 36,000,000 shares in the Company at a price of HK\$0.906 per share. At 31st December, 2002, there were 35,466,000 options outstanding which are exercisable from 1st September, 2002 to 31st August, 2005.

Although the Old Scheme was terminated and a new share option scheme was adopted on 8th May, 2002 (Note 20(b)), the provisions of the Old Scheme remain in force and all outstanding options granted prior to the said termination continue to be valid and exercisable in accordance therewith.

Movements in the number of options outstanding under the Old Scheme during the year are as follows:

| | 2002 | 2001 |
|----------------------|-------------------|------------|
| At 1st January | 36,000,000 | – |
| Granted | – | 36,000,000 |
| Exercised (Note (i)) | (34,000) | – |
| Lapsed | (500,000) | – |
| At 31st December | 35,466,000 | 36,000,000 |

20 Share capital (Continued)**Share options (Continued)****(a) Share option scheme adopted on 23rd February, 2000 (the "Old Scheme") (Continued)***Notes:*

- (i) Options exercised on 3rd September, 2002 resulted in 34,000 ordinary shares being issued at HK\$0.906 each (2001: Nil), yielding proceeds of HK\$31,000.

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---------------------------------|-------------------------|------------------|
| Ordinary share capital – at par | 3 | – |
| Share premium | 28 | – |
| Proceeds | 31 | – |

Fair value of shares issued at exercise date of 3rd September, 2002 was HK\$44,000.

- (ii) Share options outstanding at 31st December, 2002 have the following terms:

| Expiry date | Exercise Price HK\$ | 2002 | 2001 |
|-------------------------------|---------------------------|-------------------|------------|
| | | Number of options | |
| Directors | | | |
| 31st August, 2005 | 0.906 | 20,000,000 | 20,000,000 |
| Continuous contract employees | | | |
| 31st August, 2005 | 0.906 | 15,466,000 | 16,000,000 |
| | | 35,466,000 | 36,000,000 |

500,000 share options were lapsed during the year (2001: Nil).

Notes to the Accounts

20 Share capital (Continued)

Share options (Continued)

(b) Share option scheme adopted on 8th May, 2002 (the "New Scheme")

At the Annual General Meeting of the Company held on 8th May, 2002, the New Scheme was approved and adopted.

Under the New Scheme, the directors of the Company are authorised to grant options to qualifying participants of the Company or its subsidiaries to subscribe for shares in the Company at prices in accordance with the terms of the New Scheme. The total number of shares subject to the New Scheme must not when aggregated with any shares subject to any share option schemes exceed 30% of the shares in issue from time to time.

No options have been granted under the New Scheme during the year.

21 Share capital and reserves

| | Group | | | | | | Total HK\$'000 |
|--|------------------------------|---|--|---|------------------------------|--|-------------------|
| | Share capital HK\$'000 | Exchange fluctuation reserve (Note 1(b)(ii)) HK\$'000 | Fixed assets revaluation reserve (Note 22) HK\$'000 | Merger reserve (Note (a)) HK\$'000 | Share premium HK\$'000 | Retained earnings including proposed dividends (Note 1(b)(iii)) HK\$'000 | |
| At 1st January, 2002 | 36,000 | (149,562) | 70,940 | (200) | 36,861 | 335,794 | 329,833 |
| Exchange differences arising on the translation of the accounts of overseas subsidiaries | - | 7,057 | - | - | - | 13,807 | 20,864 |
| Reserves transferred to profit and loss account (Note 4) | - | 100,000 | - | - | - | - | 100,000 |
| Deficit on revaluation (Note 22) | - | - | (7,221) | - | - | - | (7,221) |
| Loss for the year | - | - | - | - | - | (98,911) | (98,911) |
| 2001 final dividend paid (Note 8) | - | - | - | - | - | (25,920) | (25,920) |
| 2002 interim dividend paid (Note 8) | - | - | - | - | - | (10,080) | (10,080) |
| Issue of shares | 3 | - | - | - | 28 | - | 31 |
| At 31st December, 2002 | 36,003 | (42,505) | 63,719 | (200) | 36,889 | 214,690 | 308,596 |
| Representing: | | | | | | | |
| Retained earnings at 31st December, 2002 | | | | | | 207,489 | |
| 2002 final dividend proposed (Note 8) | | | | | | 7,201 | |
| At 31st December, 2002 | | | | | | 214,690 | |

21 Share capital and reserves (Continued)

| | Group | | | | | Retained earnings including proposed dividends | Total |
|--|------------------|------------------------------|----------------------------------|----------------|-----------------|--|----------|
| | Share capital | Exchange fluctuation reserve | Fixed assets revaluation reserve | Merger reserve | Share premium | | |
| | (Note 1(b)(iii)) | (Note 22) | (Note (a)) | | (Note 1(b)(ii)) | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1st January, 2001 | 36,000 | (144,004) | 79,299 | (200) | 36,861 | 309,080 | 317,036 |
| Exchange differences arising on the translation of the accounts of overseas subsidiaries | - | (5,558) | - | - | - | (6,400) | (11,958) |
| Deficit on revaluation (Note 22) | - | - | (8,359) | - | - | - | (8,359) |
| Profit for the year | - | - | - | - | - | 95,034 | 95,034 |
| 2000 final dividend paid | - | - | - | - | - | (40,320) | (40,320) |
| 2001 interim dividend paid (Note 8) | - | - | - | - | - | (21,600) | (21,600) |
| At 31st December, 2001 | 36,000 | (149,562) | 70,940 | (200) | 36,861 | 335,794 | 329,833 |
| Representing: | | | | | | | |
| Retained earnings at 31st December, 2001 | | | | | | 309,874 | |
| 2001 final dividend proposed (Note 8) | | | | | | 25,920 | |
| At 31st December, 2001 | | | | | | 335,794 | |

| | Company | | | Retained earnings including proposed dividends | Total |
|--|---------------|---------------------|---------------|--|----------|
| | Share capital | Contributed surplus | Share premium | | |
| | (Note (b)) | (Note (b)) | | | |
| | HK'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January, 2002 | 36,000 | 165,739 | 36,861 | 27,838 | 266,438 |
| Profit for the year | - | - | - | 42,430 | 42,430 |
| 2001 final dividend paid (Note 8) | - | - | - | (25,920) | (25,920) |
| 2002 interim dividend paid (Note 8) | - | - | - | (10,080) | (10,080) |
| Issue of shares | 3 | - | 28 | - | 31 |
| At 31st December, 2002 | 36,003 | 165,739 | 36,889 | 34,268 | 272,899 |
| Representing: | | | | | |
| Retained earnings at 31st December, 2002 | | | | 27,067 | |
| 2002 final dividend proposed (Note 8) | | | | 7,201 | |
| At 31st December, 2002 | | | | 34,268 | |

Notes to the Accounts

21 Share capital and reserves (Continued)

| | Company | | | | |
|--|---------------|---------------------|---------------|--|----------|
| | Share capital | Contributed surplus | Share premium | Retained earnings including proposed dividends | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January, 2001 | 36,000 | 165,739 | 36,861 | 838 | 239,438 |
| Profit for the year | - | - | - | 88,920 | 88,920 |
| 2000 final dividend paid | - | - | - | (40,320) | (40,320) |
| 2001 interim dividend paid (Note 8) | - | - | - | (21,600) | (21,600) |
| At 31st December, 2001 | 36,000 | 165,739 | 36,861 | 27,838 | 266,438 |
| Representing: | | | | | |
| Retained earnings at 31st December, 2001 | | | | 1,918 | |
| 2001 final dividend proposed (Note 8) | | | | 25,920 | |
| At 31st December, 2001 | | | | 27,838 | |

Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the shares of a subsidiary acquired and the nominal value of the Company's shares issued in exchange thereof.
- (b) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiary acquired and the nominal value of the Company's shares issued in exchange thereof.

22 Fixed assets revaluation reserve

| | Group | | |
|----------------------------------|--|------------------------------------|-------------------|
| | Leasehold land and buildings in Indonesia HK\$'000 | Plant and machinery HK\$'000 | Total HK\$'000 |
| At 1st January, 2002 | 42,074 | 28,866 | 70,940 |
| Surplus/(deficit) on revaluation | 750 | (7,971) | (7,221) |
| At 31st December, 2002 | 42,824 | 20,895 | 63,719 |
| At 1st January, 2001 | 38,945 | 40,354 | 79,299 |
| Surplus/(deficit) on revaluation | 3,129 | (11,488) | (8,359) |
| At 31st December, 2001 | 42,074 | 28,866 | 70,940 |

23 Notes to the consolidated cash flow statement

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operations

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| (Loss)/profit before taxation | (95,406) | 106,834 |
| Depreciation of fixed assets | 20,970 | 18,695 |
| Amortisation of goodwill | 1,610 | 1,502 |
| Goodwill written off | 1,077 | – |
| Amortisation of permanent textile quota entitlements | 2,030 | 2,281 |
| Transfer from exchange fluctuation reserve | 100,000 | – |
| Loss/(gain) on disposal of fixed assets | 60 | (408) |
| Interest income | (2,201) | (3,947) |
| Interest expenses | 3,515 | 7,225 |
| Operating profit before working capital changes | 31,655 | 132,182 |
| Decrease in inventories | 10,382 | 6,534 |
| Decrease in trade and other receivables | 6,925 | 47,439 |
| Decrease in trade and other payables | (1,050) | (45,466) |
| Net cash inflow from operations | 47,912 | 140,689 |

23 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

| | Share capital (including premium) | | Bank loans | | Minority interests | |
|--|--------------------------------------|------------------|------------------|------------------|--------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| At 1st January | 72,861 | 72,861 | 62,363 | 47,651 | 5,941 | 5,830 |
| Issue of ordinary shares | 31 | - | - | - | - | - |
| Bank loans raised | - | - | 423,388 | 505,038 | - | - |
| Repayments | - | - | (417,008) | (490,326) | - | - |
| Minority interests' in share of profits and reserves | - | - | - | - | 1,731 | 527 |
| Exchange differences | - | - | - | - | (1,632) | (416) |
| At 31st December | 72,892 | 72,861 | 68,743 | 62,363 | 6,040 | 5,941 |

(c) Acquisition of subsidiaries

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| Net assets acquired | | |
| Fixed assets | - | 22,042 |
| Inventories | - | 3,381 |
| Trade and other receivables | - | 11,384 |
| Bank balances and cash | - | 6,646 |
| Trade and other payables | - | (18,774) |
| Minority interests | - | (2,574) |
| | - | 22,105 |
| Goodwill on acquisitions | - | 8,048 |
| Deposit paid for acquisition of a subsidiary in prior year | - | (6,937) |
| Satisfied by cash | - | 23,216 |

23 Notes to the consolidated cash flow statement (Continued)**(d) Analysis of the net outflow of cash and cash equivalents in respect of acquisition of subsidiaries**

| | 2002 | 2001 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Cash consideration | – | 30,153 |
| Deposit paid for acquisition of a subsidiary in prior year | – | (6,937) |
| Bank balances and cash acquired | – | (6,646) |
| Net cash outflow in respect of acquisition of subsidiaries | – | 16,570 |

24 Contingent liabilities

| | Group | | Company | |
|--|-----------------|----------|-----------------|----------|
| | 2002 | 2001 | 2002 | 2001 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Guarantees for bank loans and overdrafts of subsidiaries | – | – | 68,743 | 62,363 |
| Bills of exchange discounted with recourse | 23,283 | 19,241 | – | – |
| | 23,283 | 19,241 | 68,743 | 62,363 |

Management anticipates that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

25 Commitments

(a) Capital commitments relating to the Group's acquisition of fixed assets are as follows:

| | Group | |
|---------------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Contracted but not provided for | – | 46 |

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

| | Group | |
|---|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Not later than one year | 10,563 | 8,856 |
| Later than one year and not later than five years | 17,538 | 20,767 |
| Later than five years | 21,483 | 19,813 |
| | 49,584 | 49,436 |

26 Subsidiaries

The following is a list of the principal subsidiaries at 31st December, 2002:

| Company name | Place of incorporation/ Place of operation | Principal activities | Particulars of issued share capital | Percentage of interest held |
|---|---|---|--|--|
| <i>Shares held directly:</i> | | | | |
| Topwell Group Development Ltd. | British Virgin Islands | Investment holding | 1,000 ordinary shares of US\$1 each | 100 |
| <i>Shares held indirectly:</i> | | | | |
| Best Sphere Group Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Bright Horizons Investments Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Carry Wealth Limited | Hong Kong | Garment trading, marketing and provision of management services | 4,000,000 ordinary shares of HK\$1 each | 100 |
| Carry Wealth (South Africa) Investment Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Charter Row Group Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Charter, S.A. de C.V. | El Salvador | Manufacture of knit tops | 200 shares of US\$114.28 each | 100 |
| Dragon Vision Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Giant Sage Investments Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Gold Clipper Trading Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Keen Vision Limited | Hong Kong | Investment holding | 100 ordinary shares of HK\$1 each | 100 |
| Promaster Company Limited | Hong Kong | Property holding | 2 ordinary shares of HK\$1 each | 100 |

Notes to the Accounts

26 Subsidiaries (Continued)

| Company name | Place of incorporation/ Place of operation | Principal activities | Particulars of issued share capital | Percentage of interest held |
|--|---|--|--|-----------------------------------|
| Times King Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Topwell Investment (Asia) Limited | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| Topwell Investments Ltd. | British Virgin Islands | Investment holding | 1 ordinary share of US\$1 | 100 |
| 東莞國興製衣有限公司 (Dongguan Guoxing Garment Limited) | PRC wholly-owned foreign enterprise | Manufacture and sale of knit, woven and sweater products | HK\$3,000,000 | 100 |
| PT Aneka Garmentama Indah * | Indonesia | Manufacture of woven bottoms | 6,000 ordinary shares of Rp1 million each | 95 |
| PT Caterindo Garment Industri * | Indonesia | Manufacture of knit tops | 15,000 ordinary shares of Rp1 million each | 95 |
| PT Kater Busanacemerlang * | Indonesia | Manufacture of sweater tops | 3,000,000 ordinary shares of US\$1 each | 95 |
| Shinning Century Limited | Hong Kong/ Lesotho | Manufacture of knit tops | 1,000,000 ordinary shares of HK\$1 each | 70 |

* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 20% of the Group's total assets at 31st December, 2002.

27 Approval of accounts

The accounts were approved by the board of directors on 20th March, 2003.