

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

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 (the "HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and trading investments 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 33	: Discontinuing operations
SSAP 34 (revised)	: Employee benefits

The adoption of these new or revised accounting standards did not have material impact to the accounts for the year ended 31st December 2002 except for the reclassification of cash flows presented in the consolidated cash flow statement into operating, investing and financing activities and the presentation of consolidated statement of changes in equity. Certain comparatives of consolidated cash flow statement have been restated to conform with SSAP 15 (revised) (note 26).

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

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, including goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Basis of consolidation *(continued)*

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

(c) Goodwill/negative goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the Group's share of the net assets of subsidiaries, associated companies and jointly controlled entities acquired 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 of not more than twenty years. Goodwill on acquisitions that occurred prior to 1st January 2001 was taken directly to reserves. Where the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired exceeded the purchase consideration, such differences were taken directly to capital reserves on acquisitions prior to 1st January 2001.

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

(d) Fixed assets

(i) 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 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.

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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

(ii) Construction-in-progress

Construction-in-progress, representing building on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction-in-progress until the construction work is completed. On completion, the construction-in-progress is transferred to appropriate categories of fixed assets.

(iii) Other properties, plant and equipment

Other properties are interests in land and buildings other than investment properties as mentioned in note 1(d)(i). Freehold land is stated at cost less accumulated impairment losses. Plant and equipment and other properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not amortised whereby leasehold land is amortised on a straight line basis over the unexpired period of the lease.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings on freehold and leasehold land	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20%
Computers	30%
Motor vehicles	20%

(iv) Impairment and gain or loss on sale

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 construction-in-progress, other properties and other tangible fixed assets 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 impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

(iv) Impairment and gain or loss on sale (continued)

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 remaining revaluation reserve balance attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(e) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payment obligations in respect of operating leases on properties with fixed rentals are accounted for on a straight-line basis over the periods of the respective leases. Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues of the Group are charged to the profit and loss account as incurred.

(f) Trading investments

Trading investments are carried at fair value. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits and losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average 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) Trade debtors

Provision is made against trade debtors to the extent that they are considered to be doubtful. Trade debtors in the balance sheet is stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investments and bank overdrafts.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) **Deferred taxation**

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) **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 balance sheets of subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average exchange rate during the year. Exchange differences arising are dealt with as a movement in reserves.

In prior years, the profit and loss accounts of subsidiaries expressed in foreign currencies were translated at closing rates. This is a change in accounting policy, however, the translation of the profit and loss accounts of subsidiaries expressed in foreign currencies for the prior year has not been restated as the effect of this change is not material to the accounts.

(l) **Revenue recognition**

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight line basis over the periods of the respective leases.

Royalty income, building management fee income and membership fee income are recognised on an accrual basis.

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

Catering services income are recognised when services are rendered.

Dividend income is recognised when the right to receive payment is established.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service 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) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in the Peoples' Republic of China (the "PRC") and is required to make annual contributions in the range of 2% to 28% of annual payroll costs to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contribution under these schemes. The contributions are charged to the profit and loss account as incurred.

(iv) Equity compensation benefits

Share options are granted to certain Directors and employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) 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 company. 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.

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that the primary segment reporting format is by business segments and the secondary segment reporting is by geographical segments.

Unallocated costs represent corporate expenses less interest income. Segment assets consist primarily of fixed assets, stocks, receivables and operating cash, and mainly exclude corporate cash funds and trading investments. Segment liabilities comprise operating liabilities and exclude items such as payables and accruals for corporate expenses. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the countries in which the group company operates. Total assets and capital expenditure are where the assets are located.

(q) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in distribution and manufacturing of garments, leather goods and accessories, property investments, and operation of a commercial center with restaurants and business centre. Revenues recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of goods	467,927	445,507
Gross rental income from investment properties	31,579	29,681
Income from the operation of a commercial center (<i>note</i>)	7,689	3,512
Building management fee	2,739	3,190
Royalty income	13,047	5,478
	522,981	487,368
Other revenue		
Interest income	3,632	7,523
Total revenues	526,613	494,891

Note:

The income from operation of a commercial center included membership fee income, catering services income and facilities leasing income.

Primary reporting format – business segments

The Group is organised into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories.

Commercial network – Property investments and operation of a commercial center with restaurants and business centre.

There are no material transactions between the business segments except for office rental charge.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's segment information by business segments is set out as follows:

	2002				2001			
	Apparel HK\$'000	Commercial network HK\$'000	Eliminations HK\$'000	Group HK\$'000	Apparel HK\$'000	Commercial network HK\$'000	Eliminations HK\$'000	Group HK\$'000
Results								
Turnover	480,974	42,007	-	522,981	450,985	36,383	-	487,368
Inter-segment sales	-	6,489	(6,489)	-	-	6,932	(6,932)	-
	<u>480,974</u>	<u>48,496</u>	<u>(6,489)</u>	<u>522,981</u>	<u>450,985</u>	<u>43,315</u>	<u>(6,932)</u>	<u>487,368</u>
Segment results	<u>78,534</u>	<u>(36,558)</u>		<u>41,976</u>	<u>73,505</u>	<u>(12,455)</u>		61,050
Unallocated costs				(27,779)				(27,523)
Operating profit				14,197				33,527
Finance costs				(41)				(201)
Profit before taxation				14,156				33,326
Taxation				(2,870)				(203)
Profit after taxation				11,286				33,123
Minority interests				(848)				(840)
Profit attributable to shareholders				<u>10,438</u>				<u>32,283</u>
Assets								
Segment assets	483,453	908,930		1,392,383	557,934	1,060,462		1,618,396
Unallocated assets				243,927				215,178
Total assets				<u>1,636,310</u>				<u>1,833,574</u>
Liabilities								
Segment liabilities	76,423	18,712		95,135	68,652	24,949		93,601
Unallocated liabilities				10,139				12,244
Total liabilities				<u>105,274</u>				<u>105,845</u>
Other information								
Capital expenditure	3,751	24,022		27,773	2,485	57,820		60,305
Depreciation	13,180	13,421		26,601	13,532	16,427		29,959
Impairment loss of fixed assets	415	29,428		29,843	1,534	-		1,534
Provision/(write-back) for slow moving stocks	<u>14,634</u>	<u>-</u>		<u>14,634</u>	<u>(35,766)</u>	<u>-</u>		<u>(35,766)</u>

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

The Group operates in the following three main geographical areas:

China mainland – Apparel, property investments and commercial center operation

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

An analysis of the Group's segment information by geographical segments is as follows:

	2002			Capital expenditure HK\$'000
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	
Geographical segments				
China mainland	411,120	39,666	968,622	24,263
Hong Kong SAR	46,360	(3,119)	607,601	3,353
Singapore and Malaysia	62,722	6,603	48,956	146
Other countries	2,779	(1,174)	11,131	11
	<u>522,981</u>	<u>41,976</u>	<u>1,636,310</u>	<u>27,773</u>
Unallocated costs		<u>(27,779)</u>		
Operating profit		<u>14,197</u>		

	2001			Capital expenditure HK\$'000
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	
Geographical segments				
China mainland	374,951	62,267	1,087,154	58,778
Hong Kong SAR	52,210	(5,768)	691,786	637
Singapore and Malaysia	57,774	6,197	44,082	885
Other countries	2,433	(1,646)	10,552	5
	<u>487,368</u>	<u>61,050</u>	<u>1,833,574</u>	<u>60,305</u>
Unallocated costs		<u>(27,523)</u>		
Operating profit		<u>33,527</u>		

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

3. IMPAIRMENT LOSS OF COMMERCIAL CENTER

During the year, the Group decided to change the mode of operation of a commercial center which comprises several restaurants and a business centre located at the Goldlion Digital Network Centre in the PRC. On 18th July 2002, the Group entered into an agreement with Guangzhou World Trade Centre Club Company Limited to lease out the premises occupied by, together with the furniture, fixtures and equipments of the commercial center for a period of five years effective from 1st August 2002 (note 25(d)).

The Group made an assessment on the carrying amount of the furniture, fixtures and equipments of the commercial center in accordance with SSAP 31 "Impairment of assets", and as a result of which an impairment loss of HK\$29,428,000 for these fixed assets was charged to the consolidated profit and loss account.

The revenue and operating result relating to the commercial center for the period prior to the effective change in mode of operation, are disclosed below and are included in the Commercial Network business segment:

	Period from 1st January 2002 to 31st July 2002 HK\$'000	Year ended 31st December 2001 HK\$'000
Turnover	<u>7,689</u>	<u>3,512</u>
Operating loss (including impairment loss)	<u>(41,746)</u>	<u>(20,852)</u>

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

4. OPERATING PROFIT

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Operating profit is stated after charging/(crediting) the following:		
Cost of stocks sold	228,651	249,598
Provision/(write-back) for slow moving stocks	14,634	(35,766)
Outgoings in respect of investment properties	8,629	5,934
Operating lease rentals – land and buildings	15,995	17,371
Depreciation (<i>note</i>)	24,796	27,560
Staff costs including directors' emoluments (<i>note 10</i>)	80,509	81,043
Auditors' remuneration	1,518	1,569
Provision for doubtful debts	2,567	4,036
Loss on disposal of fixed assets	1,286	3,208
Impairment loss of fixed assets other than commercial center (<i>note 3</i>)	415	1,534
Unrealised losses on trading investments	330	335
	<hr/>	<hr/>
<i>Note:</i>		
Depreciation		
– owned fixed assets held for use under operating leases	366	–
– other owned fixed assets	26,235	29,959
	<hr/>	<hr/>
	26,601	29,959
<i>Less:</i> amount included in stocks	(1,805)	(2,399)
	<hr/>	<hr/>
	24,796	27,560
	<hr/>	<hr/>

5. FINANCE COSTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest expense on bank loans and overdrafts	41	201
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

6. TAXATION

No provision for Hong Kong profits tax has been made for the year as the Group has no estimated assessable profit arising from Hong Kong (2001: Nil). Taxation on profits arising outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. The amount of taxation charged to the consolidated profit and loss account represents the following:

	2002 HK\$'000	2001 HK\$'000
Current taxation		
Taxation outside Hong Kong	2,671	203
Under-provision of taxation outside Hong Kong	333	–
Over-provision of Hong Kong taxation in prior years	(134)	–
	<hr/> 2,870 <hr/>	<hr/> 203 <hr/>
Deferred tax (credit)/charge for the year not provided for in respect of:		
Tax losses	(32,792)	(10,898)
Other timing differences	1,783	409
	<hr/> (31,009) <hr/>	<hr/> (10,489) <hr/>
The deferred tax assets at the end of the year not provided for in respect of:		
Tax losses	65,912	33,120
Other timing differences	5,199	6,982
	<hr/> 71,111 <hr/>	<hr/> 40,102 <hr/>

The revaluation of the Group's investment properties in Hong Kong does not constitute a timing differences for deferred tax purposes as realisation of the revaluation surplus would not result in a tax liability for Hong Kong profits tax.

Realisation of the revaluation surplus of the Group's investment properties in the PRC would give rise to a taxation liability in the PRC. No provision has been made in the accounts for this liability as these properties are held for the long term and the Directors have no intention to dispose these properties in the foreseeable future.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a loss of the Company to the extent of HK\$3,229,000 (2001: profit of HK\$97,184,000).

8. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
2002 interim dividend, paid, of 1 HK cent per ordinary share	9,371	–
2001 interim dividend, paid, of 1.5 HK cents per ordinary share	–	13,157
2002 final dividend, proposed of 2 HK cents per ordinary share (<i>note</i>)	18,742	–
2001 final dividend, paid, of 1.5 HK cents per ordinary share	–	13,157
	<hr/> 28,113 <hr/>	<hr/> 26,314 <hr/>

Note:

At a meeting held on 8th April 2003, the Directors declared a final dividend of 2 HK cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2003.

9. EARNINGS PER SHARE

The calculation of basic and fully diluted earnings per share is based on the profit attributable to shareholders of HK\$10,438,000 (2001: HK\$32,283,000).

The basic earnings per share is based on the weighted average number of 920,511,295 (2001: 877,114,035) shares in issue during the year. The fully diluted earnings per share for the year is based on 926,416,235 (2001: 887,697,243) shares which is the weighted average number of shares in issue during the year plus the weighted average number of shares of 5,904,940 (2001: 10,583,208) which are deemed to be issued at no consideration if the outstanding share options had been exercised.

10. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

Staff costs are as follows:

	2002 HK\$'000	2001 HK\$'000
Wages and salaries	76,092	77,670
Termination benefits	970	–
Retirement benefit costs (<i>note 11</i>)	3,447	3,373
	<hr/> 80,509 <hr/>	<hr/> 81,043 <hr/>

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

11. RETIREMENT BENEFIT COSTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Defined contribution schemes for:		
The Hong Kong employees (<i>note (a)</i>)	926	765
The Singaporean employees (<i>note (b)</i>)	1,884	1,709
The PRC employees (<i>note (c)</i>)	637	899
	<hr/>	<hr/>
	3,447	3,373

Notes:

- (a) Under the Mandatory Provident Fund ("MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK\$1,000, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK\$940,000 (2001: HK\$1,032,000) including forfeited contributions of HK\$14,000 (2001: HK\$267,000). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the contributions. Contributions totalling HK\$134,000 (2001: HK\$167,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilised forfeited contribution at year end (2001: Nil).

- (b) Contributions paid and payable by the Group to the schemes amounted to HK\$1,884,000 (2001: HK\$1,709,000). Contributions totalling HK\$620,000 (2001: HK\$534,000) payable to the schemes at the year end are included in other payables. There was no unutilised forfeited contribution at year end (2001: Nil).

- (c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contributions payable (2001: Nil) to the municipal governments at the year end.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees	360	360
Basic salaries, housing and other allowances, and benefits in kind	26,310	12,395
Contributions to retirement scheme	44	36
	<hr/>	<hr/>
	26,714	12,791

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of Directors	
	2002	2001
HK\$ nil – HK\$1,000,000	3	3
HK\$1,500,001 – HK\$2,000,000	–	3
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,500,001 – HK\$5,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$7,000,001 – HK\$7,500,000	–	1
HK\$11,500,001 – HK\$12,000,000	1	–

Directors' fees include HK\$240,000 (2001: HK\$240,000) paid to two (2001: two) independent non-executive Directors.

During the year, 55,000,000 options (2001: Nil) granted pursuant to a share option scheme of the Company adopted on 26th August 1992 were exercised by executive Directors. Benefits in kind included HK\$14,652,000 (2001: Nil) representing the excess of the aggregate amount of market prices at the date of exercise of share options and consideration paid by the directors under the share option scheme during the year (note 20).

- (b) The five individuals whose emoluments were the highest in the Group for the year included four (2001: four) Directors whose emoluments are reflected in the analysis presented in note 12(a) above. The emoluments payable to the remaining one (2001: one) individual during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Basic salaries, housing and other allowances, and benefits in kind	1,698	2,412

The emoluments fell within the following band:

Emolument bands	Number of individual	
	2002	2001
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

- (c) Other than disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

13. FIXED ASSETS – GROUP

	Investment properties	Other properties	Construction- in-progress	Plant and machinery	Furniture and fixtures	Computers	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation								
At 1st January 2002	781,943	707,152	10,784	23,445	95,088	13,234	18,514	1,650,160
Translation differences	714	2,427	107	173	813	108	204	4,546
Additions	1,769	-	21,090	147	1,251	876	2,640	27,773
Disposals	-	(12,175)	-	(8,201)	(17,452)	(4,299)	(9,911)	(52,038)
Transfer	336,229	(305,270)	(31,981)	(76)	1,087	11	-	-
Revaluation (note 13(a))	(233,913)	-	-	-	-	-	-	(233,913)
At 31st December 2002	886,742	392,134	-	15,488	80,787	9,930	11,447	1,396,528
Accumulated depreciation and impairment losses								
At 1st January 2002	-	103,824	-	19,108	55,308	8,263	15,704	202,207
Translation differences	-	623	-	122	455	60	145	1,405
Depreciation charge	-	15,198	-	772	7,734	1,653	1,244	26,601
Disposals	-	(11,255)	-	(7,945)	(16,860)	(4,295)	(9,844)	(50,199)
Transfer	30,048	(30,048)	-	(25)	14	11	-	-
Revaluation (note 13(a))	(30,048)	-	-	-	-	-	-	(30,048)
Impairment charge	-	415	-	-	28,246	1,182	-	29,843
At 31st December 2002	-	78,757	-	12,032	74,897	6,874	7,249	179,809
Net book value								
At 31st December 2002	886,742	313,377	-	3,456	5,890	3,056	4,198	1,216,719
At 31st December 2001	781,943	603,328	10,784	4,337	39,780	4,971	2,810	1,447,953
The analysis of the cost or valuation of the above assets is as follows:								
At cost	-	392,134	-	15,488	80,787	9,930	11,447	509,786
At 2002 professional valuation	886,742	-	-	-	-	-	-	886,742
At 31st December 2002	886,742	392,134	-	15,488	80,787	9,930	11,447	1,396,528
At cost	-	513,152	10,784	23,445	95,088	13,234	18,514	674,217
At 2000 professional valuation	-	194,000	-	-	-	-	-	194,000
At 2001 professional valuation	781,943	-	-	-	-	-	-	781,943
At 31st December 2001	781,943	707,152	10,784	23,445	95,088	13,234	18,514	1,650,160

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

13. FIXED ASSETS – GROUP (continued)

- (a) Investment properties were revalued at 31st December 2002 and 2001 on an open market value basis by Mr Ng Sai Hee, an independent professional valuer, for properties located in Hong Kong and the PRC, and Knight Frank Pte Limited, an independent professional valuer, for properties located in Singapore. The net revaluation deficit of HK\$203,865,000 (2001: HK\$12,963,000) was taken to investment properties revaluation reserve (note 21(a)).
- (b) The Group's interests in investment properties and other properties are analysed at their net book values as follows:

	2002		2001	
	Investment properties HK\$'000	Other properties HK\$'000	Investment properties HK\$'000	Other properties HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	30,400	–	43,000	–
Leases of between 10 to 50 years	188,300	181,932	207,500	245,425
	<u>218,700</u>	<u>181,932</u>	<u>250,500</u>	<u>245,425</u>
Outside Hong Kong, held on:				
Freehold	10,922	13,845	10,703	13,895
Leases of over 50 years	8,720	4,352	10,740	4,874
Leases of between 10 to 50 years	648,400	113,248	510,000	339,134
	<u>668,042</u>	<u>131,445</u>	<u>531,443</u>	<u>357,903</u>
	<u>886,742</u>	<u>313,377</u>	<u>781,943</u>	<u>603,328</u>

- (c) Included in other properties are properties with aggregate net book value of HK\$54,055,000 as at 31st December 2002 (2001: HK\$67,473,000) located in the PRC in respect of which title documents have not been obtained from the relevant government authorities.

13. FIXED ASSETS – GROUP *(continued)*

- (d) Included in investment properties is a property with total net book value of HK\$580,400,000 as at 31st December 2002 (2001: HK\$699,861,000 included in investment properties and other properties) which represents the Group's interests of approximately 53% of the gross floor area and the car parking spaces of a commercial complex, named as Goldlion Digital Network Centre, situated at Ti Yu Dong Road, Tianhe District, the city of Guangzhou, PRC ("the Designated Property").

On 22nd July 1994, Goldlion (Guangdong) Limited ("Goldlion Guangdong"), a wholly owned subsidiary of the Group, entered into a contract (the "Contract") with Goldlion Property Development Limited ("GPDL") to acquire 53% of GPDL's capital contribution to, and the right and obligation to contribute 53% of the capital requirement of Guangzhou Goldlion City Properties Company Limited ("GGCP"). In accordance with GGCP's Articles of Association, Goldlion Guangdong, other than receiving the Designated Property as mentioned above, will not participate in any profit or loss of GGCP and will not be entitled to the distribution of GGCP's assets on liquidation. The entire issued share capital of GPDL is beneficially owned by three executive Directors, Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, and Mr Tsang Chi Hung, and the Tsang family trust. The principal activity of GGCP is to develop, construct, market, let and manage Goldlion Digital Network Centre. In consideration of the capital contribution to GGCP, Goldlion Guangdong, on completion of Goldlion Digital Network Centre, is entitled to receive, free of further payment to GGCP or any other partner thereto, approximately 53% of the Designated Property. The construction of Goldlion Digital Network Centre was completed as at 31st March 1999.

On 29th May 1999, Goldlion Guangdong entered into a supplemental contract and a memorandum with GPDL and the other PRC joint venture partner of GGCP to amend certain terms of the Contract for the purpose of minimising tax liabilities of GGCP. Simultaneously, Dr. Tsang Hin Chi and GPDL had executed an indemnity in favour of Goldlion Guangdong as an additional measure to safeguard Goldlion Guangdong's interest in the Designated Properties. The Directors are of the opinion that the entitlements and the rights of the Group in the Designated Property before and after the amendment of the terms of the Contract remain unchanged. In this connection, the Group has not obtained the title documents in respect of the Designated Properties from the relevant government authorities.

- (e) The aggregate cost, accumulated depreciation and accumulated impairment losses of the Group's furniture and fixtures held for use under operating leases as at 31st December 2002, amounted to approximately HK\$35,048,000 (2001: Nil), HK\$6,991,000 (2001: Nil) and HK\$25,042,000 (2001: Nil) respectively.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

14. SUBSIDIARIES – COMPANY

	2002 HK\$'000	2001 <i>HK\$'000</i>
Unlisted investments, at cost	10	10
Amounts due from subsidiaries, net of provision	1,098,334	1,106,127
Amount due to a subsidiary	(827)	(827)
	<u>1,097,517</u>	<u>1,105,310</u>

The balances with subsidiaries are unsecured, interest free, and have no fixed terms of repayment.

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2002	2001
China Silverlion Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB3,613,724	–	90%	90%
Goldlion (China) Limited (Formerly known as Goldlion (China) Clothing and Leatherware Limited)	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	–	99.25%	99.25%
Goldlion Clothes Making Company Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US\$6,330,110	–	98.82%	98.82%
≠ Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	S\$1,000,000	Ordinary	100%	100%
≠ Goldlion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	MYR1,200,000	Ordinary	100%	100%

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

14. SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2002	2001
Goldlion (Europe) GmbH	Germany Limited liability company	Buying office in Germany	DM250,000	Ordinary	90%	90%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	HK\$200 HK\$50,000,000 (non-voting deferred shares)	Ordinary	100%	100%
* Goldlion Group (BVI) Limited	British Virgin Islands Limited liability company	Investment holding in Hong Kong	US\$10,000	Ordinary	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Property holding in the PRC	HK\$2	Ordinary	100%	100%
Guangzhou Goldlion Commercial Network Limited	PRC Limited liability company	Commercial center operation in the PRC	RMB10,609,000	–	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	US\$50,000	Ordinary	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	HK\$2 HK\$59,999,998 (redeemable shares)	Ordinary	100%	100%
Shenyang Goldlion Commercial Mansion Limited	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	–	100%	100%

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

14. SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2002	2001
Rich Smart Resources Limited	Hong Kong Limited liability company	Property investment in Hong Kong	HK\$2	Ordinary	100%	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	HK\$2	Ordinary	100%	100%

* *Subsidiary held directly by the Company*

Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets and turnover of subsidiaries not audited by PricewaterhouseCoopers accounted for approximately 2% and 12% (2001: 2% and 12%) of the Group's net assets and turnover respectively.

15. STOCKS – GROUP

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Raw materials	14,102	14,541
Work in progress	18,384	29,464
Finished goods	<u>171,384</u>	<u>182,621</u>
	203,870	226,626
Less: provision	<u>(92,771)</u>	<u>(101,474)</u>
	<u>111,099</u>	<u>125,152</u>

At 31st December 2002, the carrying amount of stocks that are carried at net realisable value amounted to HK\$84,426,000 (2001: HK\$96,314,000).

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

16. TRADE DEBTORS – GROUP

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2002, the age analysis of the trade debtors, net of provision, was as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Within 30 days	18,918	13,112
31-90 days	6,343	5,269
Over 90 days	454	774
	25,715	19,155

17. TRADING INVESTMENTS – GROUP

	2002 HK\$'000	2001 <i>HK\$'000</i>
Equity securities listed in Hong Kong at fair value	530	860

18. BANK BALANCE AND CASH – GROUP

Bank balances and cash of the Group include HK\$77,137,000 (2001: HK\$70,167,000) denominated in Renminbi. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

19. CREDITORS AND BILLS PAYABLES – GROUP

At 31st December 2002, the age analysis of the creditors and bills payable was as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Within 30 days	9,432	5,307
31-90 days	3,759	4,837
Over 90 days	7,071	6,082
	20,262	16,226

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

20. SHARE CAPITAL

	2002 HK\$'000	2001 <i>HK\$'000</i>
<i>Authorised:</i>		
1,200,000,000 (2001: 1,200,000,000) shares of HK\$0.10 each	120,000	120,000
<i>Issued and fully paid:</i>		
937,114,035 (2001: 877,114,035) shares of HK\$0.10 each	93,711	87,711

Details of the movements in the issued and fully paid up share capital of the Company during the year are summarised as follows:

	2002		2001	
	Number of shares	HK\$'000	Number of shares	<i>HK\$'000</i>
At 1st January	877,114,035	87,711	877,114,035	87,711
Issue of shares upon exercise of share options (<i>note (a)</i>)	60,000,000	6,000	–	–
At 31st December	937,114,035	93,711	877,114,035	87,711

- (a) Pursuant to a share option scheme of the Company adopted on 26th August 1992 (the “Old Option Scheme”), the Company issued 60,000,000 new ordinary shares of HK\$0.10 each in the capital of the Company to option holders upon exercise of their share options at a price of HK\$0.3136 each and a total cash consideration of HK\$18,739,000 was received during the year. The Old Option Scheme was expired on 25th August 2002.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

20. SHARE CAPITAL (continued)

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

	Number of options	
	2002	2001
At 1st January	60,000,000	–
Granted	–	60,000,000
Exercised	(60,000,000)	–
At 31st December	–	60,000,000

- (b) At an Extraordinary General Meeting of the Company held on 21st May 2002, a new share option scheme was approved and adopted (the “New Option Scheme”). No share options were granted up to 31st December 2002 under the New Option Scheme.

21. RESERVES

(a) Group

	Share premium	Investment properties revaluation reserve	Other properties revaluation reserve	Capital redemption reserve	Capital redemption reserve	Other reserves	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2001	916,573	344,396	–	183,844	484	27,801	(9,871)	192,159	1,655,386
Deficit on revaluation of investment properties (note 13(a))	–	(12,963)	–	–	–	–	–	–	(12,963)
Exchange translation differences	–	–	–	–	–	–	(1,488)	–	(1,488)
Transfers	–	(106,095)	106,095	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	–	32,283	32,283
2000 final dividend paid	–	–	–	–	–	–	–	(21,928)	(21,928)
2001 interim dividend paid	–	–	–	–	–	–	–	(13,157)	(13,157)
At 31st December 2001	916,573	225,338	106,095	183,844	484	27,801	(11,359)	189,357	1,638,133
Representing:									
Reserves	916,573	225,338	106,095	183,844	484	27,801	(11,359)	176,200	1,624,976
2001 final dividend proposed	–	–	–	–	–	–	–	13,157	13,157
	916,573	225,338	106,095	183,844	484	27,801	(11,359)	189,357	1,638,133

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

21. RESERVES (continued)

(a) Group (continued)

	Share premium	Investment properties revaluation reserve	Other properties revaluation reserve	Capital redemption reserve	Capital redemption reserve	Other reserves	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002	916,573	225,338	106,095	183,844	484	27,801	(11,359)	189,357	1,638,133
Deficit on revaluation of investment properties (note 13(a))	-	(203,865)	-	-	-	-	-	-	(203,865)
Exchange translation differences	-	-	-	-	-	-	575	-	575
Issue of shares upon exercise of share options (note 20(a))	12,739	-	-	-	-	-	-	-	12,739
Transfers	-	106,095	(106,095)	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	10,438	10,438
2001 final dividend paid	-	-	-	-	-	-	-	(14,057)	(14,057)
2002 interim dividend paid	-	-	-	-	-	-	-	(9,371)	(9,371)
At 31st December 2002	929,312	127,568	-	183,844	484	27,801	(10,784)	176,367	1,434,592
Representing:									
Reserves	929,312	127,568	-	183,844	484	27,801	(10,784)	157,625	1,415,850
2002 final dividend proposed	-	-	-	-	-	-	-	18,742	18,742
	<u>929,312</u>	<u>127,568</u>	<u>-</u>	<u>183,844</u>	<u>484</u>	<u>27,801</u>	<u>(10,784)</u>	<u>176,367</u>	<u>1,434,592</u>

Other reserves are attributable to certain subsidiaries established in the PRC. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in the PRC. The amount set aside is determined by the board of directors of these subsidiaries at their financial year end.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

21. RESERVES (continued)

(b) Company

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2001	916,573	484	37,900	954,957
Profit for the year	–	–	97,184	97,184
2000 final dividend paid	–	–	(21,928)	(21,928)
2001 interim dividend paid	–	–	(13,157)	(13,157)
	<u>916,573</u>	<u>484</u>	<u>99,999</u>	<u>1,017,056</u>
At 31st December 2001	916,573	484	99,999	1,017,056
Representing:				
Reserves	916,573	484	86,842	1,003,899
2001 final dividend proposed	–	–	13,157	13,157
	<u>916,573</u>	<u>484</u>	<u>99,999</u>	<u>1,017,056</u>
At 1st January 2002	916,573	484	99,999	1,017,056
Issue of shares upon exercise of share options (<i>note 20(a)</i>)	12,739	–	–	12,739
Loss for the year	–	–	(3,229)	(3,229)
2001 final dividend paid	–	–	(14,057)	(14,057)
2002 interim dividend paid	–	–	(9,371)	(9,371)
	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>
At 31st December 2002	929,312	484	73,342	1,003,138
Representing:				
Reserves	929,312	484	54,600	984,396
2002 final dividend proposed	–	–	18,742	18,742
	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

22. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	2002 <i>HK\$'000</i>	(Restated) 2001 <i>HK\$'000</i>
Operating profit	14,197	33,527
Depreciation	26,601	29,959
Interest income	(3,632)	(7,523)
Loss on disposal of fixed assets	1,286	3,208
Impairment losses of fixed assets	29,843	1,534
Unrealised loss on trading investments	330	335
	<hr/>	<hr/>
Operating profit before working capital changes	68,625	61,040
Decrease/(increase) in stocks	14,053	(24,589)
(Increase)/decrease in debtors and prepayments	(13,095)	25,394
Increase/(decrease) in creditors, accruals and amount due to related companies	300	(11,958)
	<hr/>	<hr/>
Cash generated from operations	69,883	49,887

(b) Analysis of changes in financing during the year

	Share capital and share premium		Dividends payable		Bank loans		Minority interests	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
						(Restated)		
Balance at 1st January	1,004,284	1,004,284	-	-	3,371	13,937	1,885	1,885
Issue of shares upon exercise of share options (Note 20)	18,739	-	-	-	-	-	-	-
Minority interests in share of results	-	-	-	-	-	-	848	840
Repayment of bank loans	-	-	-	-	(3,371)	(10,566)	-	-
Dividends declared	-	-	23,428	35,085	-	-	-	-
Dividends paid	-	-	(23,428)	(35,085)	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(840)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December	1,023,023	1,004,284	-	-	-	3,371	2,733	1,885

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

22. CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Analysis of balances of cash and cash equivalents

	2002 <i>HK\$'000</i>	(Restated) 2001 <i>HK\$'000</i>
Bank balances and cash	<u>260,251</u>	<u>224,029</u>

23. CONTINGENT LIABILITIES – COMPANY

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Guarantees for credit facilities given to subsidiaries	<u>157,464</u>	<u>205,000</u>

At 31st December 2002, the above facilities, which were covered by the Company's guarantee, were not utilised by the subsidiaries. At 31st December 2001, the utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company was HK\$3,371,000.

24. COMMITMENTS

(a) Commitments under operating leases – where the Group is the lessee

At 31st December 2002, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Land and buildings		
Not later than one year	3,046	7,807
Later than one year and not later than five years	<u>930</u>	<u>4,103</u>
	<u>3,976</u>	<u>11,910</u>

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

The Company did not have any commitments at 31st December 2002 (2001: Nil).

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

24. COMMITMENTS (continued)

(b) Commitments under operating leases – where the Group is the lessor

The future minimum rental payments receivable under non-cancellable leases are as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Land and buildings		
Not later than one year	36,281	19,813
Later than one year and not later than five years	57,173	26,102
Later than five years	9,020	12,317
	102,474	58,232

25. RELATED PARTY TRANSACTIONS – GROUP

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	<i>Note</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
Administrative and conference fees received from a related company	<i>(a)</i>	531	904
Building management fees paid to a related company	<i>(b)</i>	979	915
Professional fees paid to a related company	<i>(c)</i>	320	–
Rental income from a related company	<i>(d)</i>	160	–

Notes:

- (a) Administrative and conference fees were received from Guangzhou Goldlion City Properties Company Limited at a fixed monthly rate of HK\$88,500 for six months ended 30th June 2002 (2001: HK\$88,000) for use and lease of facilities of the Group's commercial center located at Goldlion Digital Commercial Centre. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and Mr. Tsang Chi Hung have beneficial interest in Guangzhou Goldlion City Properties Company Limited.
- (b) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. The fees were charged at HK\$31 per square meter of floor area occupied by the Group. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have and Mr. Tsang Chi Hung had direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited (Dr. Tsang Hin Chi has beneficial interest starting from 1st August 2002 whereas Mr. Tsang Chi Hung ceased having beneficial interest on 1st August 2002).
- (c) Equitas Capital Limited acted as financial advisor to the Group during the year for which professional fees of HK\$320,000 (2001: Nil) were paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and a principal shareholder of Equitas Capital Limited.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2002

25. RELATED PARTY TRANSACTIONS – GROUP *(continued)*

Notes: *(continued)*

- (d) On 18th July 2002, the Group entered into a lease as lessor with Guangzhou World Trade Centre Club Company Limited (“GWTCCCL”) and China World Trade Corporation (“CWTC”), the holding company of GWTCCCL, as lessee and guarantor respectively in respect of the properties and facilities situated at the whole third and fifth floor and a portion of fourth floor of Goldlion Digital Network Centre.

Mr. Tsang Chi Hung has acquired indirect beneficial interest in GWTCCCL as he has become a major shareholder of CWTC starting from 17th December 2002.

During the year, the Group received HK\$1,579,210 from GWTCCCL as rental payment under the lease, out of which HK\$159,770 was for the period from 17th December 2002 being the date upon which Mr. Tsang Chi Hung becomes a major shareholder of CWTC to 31st December 2002.

26. COMPARATIVE FIGURES

In accordance with SSAP15 (revised), the Group no longer includes short-term bank loans with maturity within three months from date of drawdown but includes all non-pledged bank balances and cash as components of cash and cash equivalents. This change in accounting policy has been applied retrospectively so that the comparative figures of the consolidated cash flow statements have been restated to conform with the changed policy. This change resulted in an increase in cash and cash equivalents by HK\$9,646,000 as at 1st January 2001 and by HK\$3,371,000 as at 31st December 2001.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 8th April 2003.