

12. COMMITMENTS

a. Operating lease commitments

The total future aggregate minimum lease payments under non-cancelable operating leases as at 30th June 2003 are as follows:

	30th June 2003	30th June 2002	31st December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings			
– within one year	27,152	28,611	31,223
– in the second to fifth years inclusive	31,558	43,596	43,302
– after the fifth year	63,672	65,319	64,652
	<u>122,382</u>	<u>137,526</u>	<u>139,177</u>

b. Capital commitments

As at 30th June 2003, the Group had the following capital commitments in relation to office renovation and purchase of equipment:

	30th June 2003	30th June 2002	31st December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	583	–	1,044
Authorized but not contracted for	–	–	4,503
	<u>583</u>	<u>–</u>	<u>5,547</u>

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30th June 2003 (2002- Nil).

ACCOUNTING ISSUE

On 17th September 2003, the Company made an announcement (the “Announcement”) regarding certain irregular accounting practices employed at Guangzhou All Asia Industrial Company, Limited (廣州環亞製衣有限公司) (“AAPY”, a wholly-owned subsidiary of the Company situated in Panyu, Guangdong Province) in relation to its inventory, which are inconsistent with the accounting policies of the Group, and the performance by the Company’s auditors, PricewaterhouseCoopers, of certain agreed procedures on the inventory of AAPY. The management of the Company has completed its investigation and considered the findings of the Company’s auditors, and determined that the Group’s inventory as at 31st December 2002 should be lower than that as reported in the Group’s published audited consolidated balance sheet as at that date by HK\$14.5 million, which is less than the estimated amount of HK\$35 million, the potential shortfall identified in the Announcement. The shortfall arose as a result of incorrect unit prices being input into AAPY’s inventory system in 2002.

The management and the Directors, having consulted the Company’s auditors on the proper accounting treatments in relation thereto under the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, consider it to be appropriate to correct the said error by reducing the inventory balance of the Group by HK\$14.5 million and the loss is to be dealt with in the Group’s consolidated profit and loss account for the six months ended 30th June 2003.

The management of the Company has deployed its Group Chief Accountant, Group Finance Manager – Compliance & Control, the Vice President and the Manager of the Management Information System (“MIS”) division from its headquarters to AAPY to review and further strengthen its accounting controls and MIS systems. A new General Manager has been sent by the Group’s headquarters, and the Company is also in the process of recruiting an additional Finance Manager, to station at AAPY so as to further enhance its overall internal and accounting control systems.