

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2001*

### **1. GENERAL**

The Company was incorporated in Bermuda with limited liability under the Companies Act 1981 of Bermuda (as amended) as an exempted company. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's ultimate holding company is Linwood Services Ltd., a limited company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture (through subcontractors) and trading of garments, leather goods and accessories and securities trading and dealing.

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted Statement of Standard Accounting Practice ("SSAP") 14 (Revised) "Leases" issued by the Hong Kong Society of Accountants for the first time.

The revised standard has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment had been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities. The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice. The principal accounting policies adopted are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2001*

### **3. SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Basis of consolidation – continued**

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

#### **Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly and indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment losses recognised.

#### **Interests in associates**

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

Where the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has been passed.

Proceeds from trading of securities are recognised when sale and purchase contracts became unconditional.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2001*

### **3. SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Revenue recognition – continued**

Brokerage commission from securities dealing is recognised on the trade day basis when the contracts are entered into.

Realised profits and losses arising from trading of futures contracts, options and equity linked notes are accounted for in the period in which the contracts/positions are closed as the difference between the net sales proceeds and the carrying amount of the futures, options and equity linked notes contracts. Open contracts/positions are valued at market value at market rate with unrealised profits and losses included in the income statement.

#### **Property, plant and equipment**

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Property, plant and equipment – continued

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

The valuation of leasehold land is amortised over their respective lease terms and the valuation of buildings is depreciated over forty years using the straight line method.

Depreciation is provided to write off the cost of other assets over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	33 $\frac{1}{3}$ %
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	33 $\frac{1}{3}$ %

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2001*

### **3. SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Investment properties – continued**

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than twenty years.

#### **Intangible asset**

The intangible asset represents a trading right in the Stock Exchange which is stated at cost and amortised on a straight line basis over ten years.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2001*

### **3. SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Investments in securities – continued**

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions or at the contracted settlement rate if applicable. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

#### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease terms.

#### **Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

#### **Cash equivalents**

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 4. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit from operations, analysed by principal activities were as follows:

	2001	2000
	Contribution to profit from operations	Contribution to profit from operations
	Turnover	Turnover
	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity		
Garments trading	52,762	66,699
Proprietary trading in securities	186,055	83,816
Securities broking	1,183	2,468
	240,000	152,983
Other revenue	45,934	46,970
Other expenses	(32,732)	(44,964)
Profit from operations	16,697	20,545

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and profit from operations are derived from Hong Kong.

### 5. INVESTMENT INCOME

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from		
– bank deposits	15,274	30,717
– debt securities	34,597	15,201
– loan	323	–
Gain on disposal of investments in debt securities	6,254	–
Net gain on other investments	46	1,400
Dividend income from listed investments	7	21
	56,501	47,339

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration		
– current year	480	477
– overprovision in the prior year	(47)	–
	433	477
Deficit on revaluation of leasehold land and buildings	–	1,088
Deficit on revaluation of investment properties	700	632
Amortisation of intangible asset	68	–
Depreciation and amortisation of property, plant and equipment	1,762	2,154
Loss on disposal of property, plant and equipment	452	52
Preliminary expenses	47	69
Provision for bad and doubtful debts	13,537	8,017
Operating lease rentals in respect of rented premises	2,352	1,719
Loss on foreign exchange	128	–
Staff costs (including directors' remuneration, <i>note 7</i> )		
Wages and salaries	25,461	31,676
Retirement benefits scheme contributions	697	659
<i>Less: Forfeited contributions</i>	(178)	(385)
Net retirement benefits scheme contributions	519	274
	45,459	46,158

and after crediting:

Gain on foreign exchange	–	1,120
Recovery of doubtful debts	492	2,303
Gross rents from investment properties	341	–
Surplus on revaluation of leasehold land and buildings	235	–



## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 7. DIRECTORS' EMOLUMENTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Directors' fees:		
Executive	–	–
Independent non-executive	360	360
	360	360
Other emoluments (executive directors):		
Performance related incentive payments	–	3,361
Salaries and other benefits	13,777	14,129
Retirement benefits scheme contributions	322	898
Compensation for loss of office	–	1,369
	14,099	19,757
	14,459	20,117

The directors' emoluments shown above do not include the estimated monetary value of premises provided rent free to one of the executive directors. The estimated rental value of such accommodation was HK\$300,000 (2000: HK\$300,000).

Emoluments of the directors, including the above accommodation benefits, were within the following bands:

	2001 No. of Directors	2000 No. of Directors
HK\$nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,500,001 to HK\$7,000,000	–	1

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2000: five) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2000: Nil) individual were as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries and other benefits	825	–
Retirement benefits scheme contributions	20	–
	<hr/> 845	<hr/> –

### 9. TAX CREDIT

In the prior year, the tax credit represents an overprovision in the previous year.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year.

Details of the potential deferred tax credit not provided for are set out in note 27.

### 10. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$16,697,000 (2000: HK\$20,560,000), a profit of HK\$5,079,000 (2000: HK\$32,290,000) has been dealt with in the financial statements of the Company.

### 11. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim, paid – HK0.5 cent per share (2000: Nil)	6,253	–

The Directors do not recommend the payment of a final dividend.

### 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of HK\$16,697,000 (2000: HK\$20,560,000) and on the weighted average number of 1,250,453,195 (2000: 1,250,760,400) shares in issue during the year.

No diluted earnings per share are shown as there were no dilutive potential shares outstanding during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>								
COST OR VALUATION								
At 1st July, 2000	25,400	7,108	-	1,697	2,459	2,617	657	39,938
Additions	-	-	559	195	3	129	1,124	2,010
Disposals/written off	-	(863)	-	-	-	-	(332)	(1,195)
Deficit on revaluation	(400)	-	-	-	-	-	-	(400)
<b>At 30th June, 2001</b>	<b>25,000</b>	<b>6,245</b>	<b>559</b>	<b>1,892</b>	<b>2,462</b>	<b>2,746</b>	<b>1,449</b>	<b>40,353</b>
Comprising								
At Cost	-	6,245	559	1,892	2,462	2,746	1,449	15,353
At Valuation - 2001	25,000	-	-	-	-	-	-	25,000
	25,000	6,245	559	1,892	2,462	2,746	1,449	40,353
DEPRECIATION AND AMORTISATION								
At 1st July, 2000	-	5,536	-	1,404	1,617	2,095	656	11,308
Provided for the year	635	560	-	75	186	238	68	1,762
Eliminated on disposals/ written off	-	(383)	-	-	-	-	(332)	(715)
Eliminated on revaluation	(635)	-	-	-	-	-	-	(635)
<b>At 30th June, 2001</b>	<b>-</b>	<b>5,713</b>	<b>-</b>	<b>1,479</b>	<b>1,803</b>	<b>2,333</b>	<b>392</b>	<b>11,720</b>
NET BOOK VALUES								
<b>At 30th June, 2001</b>	<b>25,000</b>	<b>532</b>	<b>559</b>	<b>413</b>	<b>659</b>	<b>413</b>	<b>1,057</b>	<b>28,633</b>
At 30th June, 2000	25,400	1,572	-	293	842	522	1	28,630

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 13. PROPERTY, PLANT AND EQUIPMENT – continued

The net book value of leasehold land and buildings shown above comprises:

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land in Hong Kong:		
Long lease	<b>22,500</b>	22,500
Medium-term lease	<b>2,500</b>	2,900
	<b>25,000</b>	25,400

The leasehold land and buildings of the Group in Hong Kong were revalued at 30th June, 2001 by FPD Savills (Hong Kong) Limited, International Property Consultants, on an open market value basis. This valuation gave rise to a revaluation surplus of HK\$235,000 which has been credited to the income statement.

If leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at HK\$36,014,000 (2000: HK\$37,061,000).

### 14. INVESTMENT PROPERTIES

#### The GROUP

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
VALUATION		
At 1st July,	<b>4,100</b>	4,732
Revaluation deficit	<b>(700)</b>	(632)
	<b>3,400</b>	4,100
At 30th June,	<b>3,400</b>	4,100

Investment properties were revalued at their open market value at 30th June, 2001 by FPD Savills (Hong Kong) Limited, International Property Consultants, on an open market value basis. This valuation gave rise to a revaluation deficit of HK\$700,000 which has been charged to the income statement.

All investment properties of the Group are rented out under operating leases.

All investment properties of the Group are situated in Hong Kong and are held on medium-term leases.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 15. INVESTMENTS IN SECURITIES

#### THE GROUP

	Investment securities		Other investments		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities						
Listed in Hong Kong	98	98	3,058	10,765	3,156	10,863
Debt securities						
Listed in overseas exchanges	-	-	335,578	292,945	335,578	292,945
Unlisted	-	-	171,292	188,012	171,292	188,012
	-	-	506,870	480,957	506,870	480,957
<b>Total</b>	<b>98</b>	<b>98</b>	<b>509,928</b>	<b>491,722</b>	<b>510,026</b>	<b>491,820</b>
Market value of listed securities	58	58	338,636	303,710	338,694	303,768
Carrying amount analysed for reporting purposes						
Current	-	-	489,928	491,722	489,928	491,722
Non-current	98	98	20,000	-	20,098	98
	98	98	509,928	491,722	510,026	491,820

#### THE COMPANY

	Other investments	
	2001	2000
	HK\$'000	HK\$'000
Debt securities		
Listed in overseas exchanges	288,778	252,970
Unlisted	151,242	187,962
	440,020	440,932
Market value of listed securities	288,778	252,970

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 16. INTERESTS IN ASSOCIATES

#### THE GROUP

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Share of net assets	–	–
Amount due from an associate	2,500	–
Provision for doubtful recovery	(2,500)	–
	–	–

As at 30th June, 2001, the Group had interests in the following associates:

Name of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Principal activities
Success Sign Holdings Limited	British Virgin Islands	Hong Kong	Ordinary	35%	Investment holding
Success Sign Food Products Limited	Hong Kong	Hong Kong	Ordinary	35%	Inactive
Success Sign Pharmaceutical Company Limited	Hong Kong	Hong Kong	Ordinary	35%	Inactive

The financial statements of the associates are not audited by Deloitte Touche Tohmatsu.

### 17. INVESTMENTS IN SUBSIDIARIES

#### THE COMPANY

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost less dividend received	15,112	15,112
Less: Provision for impairment loss	(9,597)	(9,597)
	5,515	5,515

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 17. INVESTMENTS IN SUBSIDIARIES – continued

The cost is based on the value of the underlying net tangible assets of First Sign Investments Limited and its subsidiaries at the time they were acquired by the Company, less dividends subsequently distributed from pre-reorganisation reserves of the subsidiaries.

Details of the Company's principal subsidiaries at 30th June, 2001 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital held by the Company	Principal activities
Crystal Jointure Limited	Hong Kong	HK\$2	100%	Property holding
First Sign Investments Limited	British Virgin Islands	US\$48	100%	Investments holding
First Sign Capital Limited	Hong Kong	HK\$10,000,000	100%	Proprietary trading in securities and futures contracts
First Sign International Garments Limited	Hong Kong	HK\$2	100%	Property holding, design, manufacture (through subcontractors) and/or trading of garments
First Sign Securities Limited	Hong Kong	HK\$20,000,000	100%	Securities dealing and trading
Guangzhou First Sign Apparel Limited	Note	Registered: USD2,500,000 Fully paid: USD900,000	100%	Not yet commenced business
Guangzhou Supreme Sign Knitting & Dyeing Company Limited	Note	Registered: USD5,000,000 Fully paid: USD750,000	100%	Not yet commenced business
Sunvest Overseas Limited	British Virgin Islands	US\$1	100%	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 17. INVESTMENTS IN SUBSIDIARIES – continued

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Other than First Sign Investments Limited which is directly held by the Company, all subsidiaries are indirectly held by the Company.

*Note*

These two companies were established in the People's Republic of China as wholly owned foreign enterprises.

### 18. INTANGIBLE ASSET

#### THE GROUP

The intangible asset represents one trading right in the Stock Exchange arising from the restructuring of exchanges in Hong Kong.

	<i>HK\$'000</i>
<b>COST</b>	
At 1st July, 2000 and 30th June, 2001	681
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<b>AMORTISATION</b>	
At 1st July, 2000	–
Provided for the year	68
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<b>At 30th June, 2001</b>	<b>68</b>
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<b>NET BOOK VALUES</b>	
<b>At 30th June, 2001</b>	<b>613</b>
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At 30th June, 2000	681
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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 19. INVENTORIES

#### THE GROUP

The amount represents raw materials which are stated at cost.

### 20. TRADE DEBTORS

The settlement terms of trade debtor arising from the dealing in securities are two days after trade date. The Group allows an average credit period of 45 days to its garment trade customers.

The aged analysis of trade debtors is as follows:

#### THE GROUP

	2001 HK\$'000	2000 HK\$'000
0-30 days	4,026	3,596
31-60 days	–	409
Over 60 days	2	357
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Total	4,028	4,362
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### 21. OTHER DEBTORS, PREPAYMENTS AND DEPOSITS

#### THE GROUP AND THE COMPANY

Included in other debtors, prepayments and deposits, an amount of HK\$2,000,000 (2000: nil) representing a loan receivable from a third party is secured by marketable securities with a market value of HK\$435,000.

### 22. PLEDGED BANK DEPOSIT

#### THE GROUP AND THE COMPANY

The bank deposit has been pledged to secure the overdraft facility granted to a subsidiary. At the balance sheet date, there was no draw down in this facility.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 23. TRADE CREDITORS

The aged analysis of trade creditors is as follows:

#### THE GROUP

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
0-30 days	3,370	4,296
31-60 days	127	–
Over 60 days	415	33
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Total	3,912	4,329
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### 24. SHARE CAPITAL

	Number of shares of HK\$0.10 each		Share capital	
	2001	2000	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<b>Authorised</b>				
At beginning and end of year	2,000,000,000	2,000,000,000	200,000	200,000
<hr/>				
<b>Issued and fully paid</b>				
At beginning of year	1,250,760,400	1,250,760,400	125,076	125,076
Shares repurchased	(1,616,000)	–	(162)	–
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At end of year	1,249,144,400	1,250,760,400	124,914	125,076
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## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 24. SHARE CAPITAL – continued

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
March 2001	310,000	0.19	0.17	55
April 2001	750,000	0.18	0.16	129
May 2001	556,000	0.22	0.18	116
	1,616,000			300

The above shares were cancelled upon repurchase.

The directors believe that the repurchases are in the best interests of the Company and its shareholders and will lead to an enhancement of the net assets and the earnings per share of the Company.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### 25. RESERVES

#### THE GROUP

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balances at 1st July, 1999	243,041	-	1,000	18	350,426	594,485
Net profit for the year	-	-	-	-	20,560	20,560
Balances at 30th June, 2000	243,041	-	1,000	18	370,986	615,045
Repurchase of own shares	(138)	162	-	-	(162)	(138)
Net profit for the year	-	-	-	-	16,697	16,697
Dividends	-	-	-	-	(6,253)	(6,253)
<b>Balances at 30th June, 2001</b>	<b>242,903</b>	<b>162</b>	<b>1,000</b>	<b>18</b>	<b>381,268</b>	<b>625,351</b>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 25. RESERVES – continued

#### THE COMPANY

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Consolidated surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st July, 1999	243,041	–	15,013	351,766	609,820
Net profit for the year	–	–	–	32,290	32,290
<hr/>					
Balances at 30th June, 2000	243,041	–	15,013	384,056	642,110
Repurchase of own shares	(138)	162	–	(162)	(138)
Net profit for the year	–	–	–	5,079	5,079
Dividends	–	–	–	(6,253)	(6,253)
<hr/>					
<b>Balances at 30th June, 2001</b>	<b>242,903</b>	<b>162</b>	<b>15,013</b>	<b>382,720</b>	<b>640,798</b>

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by First Sign Investments Limited in exchange for the nominal amount of the share capital of its subsidiaries pursuant to a group reorganisation in 1995.

The contributed surplus of the Company represents the excess of separable net assets acquired from the acquisition of shares in First Sign Investments Limited by the Company pursuant to the group reorganisation in 1995 over the nominal amount of the Company's shares issued as the consideration for such acquisition, less dividends distributed from pre-reorganisation reserves of the subsidiaries.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, as at 30th June, 2001, the Company's reserves available for distribution consisted of contributed surplus of HK\$15,013,000 (2000: HK\$15,013,000) and retained profits of HK\$382,720,000 (2000: HK\$384,056,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 26. SHARE OPTION SCHEME

On 30th October, 1995, a share option scheme was approved and adopted. Under the scheme the Directors may at their discretion grant options to any employees of the Group, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company from time to time. The maximum number of shares which may be granted under the scheme shall not exceed 10% of the nominal amount of the issued share capital of the Company. The subscription price of the option granted under the scheme is the higher of the amount which the Directors may in their discretion determine to be not less than 80% of the average of the closing price of Company's shares on the Stock Exchange for the five business days immediately preceding the date on which an option is granted or the nominal value of the shares.

No options under the scheme were granted or exercised during the year and no options were outstanding as at 30th June, 2001.

### 27. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the components of the unprovided deferred tax asset are as follows:

	The Group		The Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	17	409	–	–
Estimated tax losses	12,422	6,636	242	11
	<hr/>	<hr/>	<hr/>	<hr/>
	12,439	7,045	242	11
	<hr/>	<hr/>	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 27. UNPROVIDED DEFERRED TAXATION – continued

The components of the unprovided deferred tax credit (charge) for the year are as follows:

#### THE GROUP

	2001 HK\$'000	2000 HK\$'000
Tax effect on timing differences because of:		
Difference between tax allowances and depreciation	(392)	(156)
Estimated tax losses	5,786	1,882
	<hr/> 5,394	<hr/> 1,726

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Deferred tax has not been provided on the valuation increase or decrease arising on the valuation of leasehold land and buildings and investment properties as profits or losses arising on the disposals of these assets would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2001*

### 28. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit before taxation	16,697	20,545
Amortisation of intangible asset	68	–
Depreciation and amortisation of property and equipment	1,762	2,154
Provision for amount due from an associate	2,500	–
(Surplus) deficit on revaluation of leasehold land and buildings	(235)	1,088
Deficit on revaluation of investment properties	700	632
Loss on disposal of property, plant and equipment	452	52
Dividend income	(7)	(21)
Interest income	(50,194)	(45,918)
(Increase) decrease in inventories	(1,319)	3,153
Decrease (increase) in investments in securities	1,794	(473,103)
Decrease in trade debtors	334	1,165
(Increase) decrease in other debtors, prepayments and deposits	(10,942)	77
Decrease in amount due from a related company	6	279
Decrease in loan to a related company	–	2,000
(Decrease) increase in trade creditors	(417)	2,520
Decrease in other creditors and accrued charges	(1,456)	(8,116)
<hr/>		
Net cash outflow from operating activities	(40,257)	(493,493)
<hr/>		

### 29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>
Balance at 1st July, 1999 and 30th June, 2000	368,117
Net cash outflow from financing	(300)
<hr/>	
<b>Balance at 30th June, 2001</b>	<b>367,817</b>
<hr/>	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 30. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	187,792	208,654
Less: Bank deposits with original maturity over 3 months	–	(92,085)
	<hr/> 187,792	<hr/> 116,569

### 31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises as follows:

#### THE GROUP

	2001 HK\$'000	2000 HK\$'000
Operating lease rental payable:		
Within one year	779	28
In the second to fifth year inclusive	–	6,320
	<hr/> 779	<hr/> 6,348

The Company did not have any operating lease commitment at the balance sheet date.

### 32. CAPITAL COMMITMENTS

At 30th June, 2001, the Group had capital commitments in respect of the acquisition of machinery and equipment amounting to HK\$9,816,000 (2000: Nil).

The Company had no capital commitment at 30th June, 2001 (2000: Nil).



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2001*

### **33. CONTINGENT LIABILITIES**

The Company has given guarantee to a bank in respect of general banking facilities granted to its subsidiaries amounting to HK\$20 million (2000: HK\$40 million). At 30th June, 2001, the letters of credit under such facilities utilised by the subsidiaries amounted to approximately HK\$8.8 million (2000: HK\$2.2 million).

### **34. RETIREMENT BENEFITS SCHEME**

The Group operated a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong including Directors. The assets of the scheme were held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there were employees who left the scheme prior to vesting fully in the contributions, the contributions payable by the Group were reduced by the amount of forfeited contributions. At the balance sheet date, there was no forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable in the future years (2000: HK\$148,000).

With effect from 1st December, 2000, the Group and its employees in Hong Kong have stopped making contribution to the defined contribution retirement benefits scheme and have joined a mandatory provident fund scheme (MPF Scheme). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

The retirement benefit scheme contributions arising from the defined contribution scheme and the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group paid retirement benefit contributions arising from the defined contribution scheme and the MPF Scheme of HK\$519,000 (2000: HK\$274,000) net of forfeited contributions of HK\$178,000 (2000: HK\$385,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

### 35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Sales		Rebates		Amounts owed by related parties	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lovely Fashion						
Company Limited	4,554	12,408	3,169	8,022	-	6

The pricing of goods sold and the related rebates granted to Lovely Fashion Company Limited are based on similar products sold to independent third parties. Mr Lung Tze Lam has a beneficial interest in that company.