

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2002*

### **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 and trading of garments, securities trading and dealing and investment holding.

With effect from 31st May, 2002, the Group had ceased securities dealing business.

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

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has not resulted in any changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

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

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. 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, 2002*

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

#### **Negative goodwill**

Negative goodwill (capital reserve) represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1st July, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions prior to 1st July, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Interests in associates**

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, less any identified impairment loss.

#### **Revenue recognition**

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2002*

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

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

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.

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 and amortisation and any accumulated impairment losses.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Property, plant and equipment – continued

Depreciation is provided to write off the cost of items of other property, plant and equipment 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 <sup>1</sup> / <sub>3</sub> %
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	33 <sup>1</sup> / <sub>3</sub> %

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.

#### Impairment

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

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

#### Investment properties

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

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2002*

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

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

Investment properties are stated at their open market value based on independent professional valuations at each 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.

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 except where an unexpired term of the relevant lease is 20 years or less.

#### **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 10 years.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### **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 has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2002*

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

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

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.

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 translated 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. Profits 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**

Rental expenses 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 4. TURNOVER

Turnover represents the net amounts received and receivable for garments sold by the Group to outside customers, less returns and allowances, sales proceeds from proprietary trading in equity securities and commission and brokerage income from securities dealing for the year and is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
<b>Continuing operations</b>		
Garment sales	21,543	52,762
Proprietary trading in equity securities	111,338	186,055
	<hr/> 132,881	<hr/> 238,817
<b>Discontinued operations</b>		
Commission and brokerage income from securities dealing	776	1,183
	<hr/> 133,657	<hr/> 240,000

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

For management purposes, the Group is currently organised into four operating divisions – namely garment trading, proprietary trading in securities, securities broking and health products operation. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Garment trading	–	sourcing, manufacturing, processing, wholesaling, marketing and selling of garments
Proprietary trading in securities	–	investments in listed and unlisted equity securities and future contracts and options
Health products operation	–	health products projects

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

#### Business segments – continued

In prior years, the Group has also involved in securities broking and dealing and has ceased the business on 31st May, 2002. Upon the application of one of the Company's subsidiaries, the Securities and Futures Commission has revoked the subsidiary's registration as a dealer under the Securities Ordinance on 28th June, 2002. The revenue and result of this operation are reported under "Securities broking".

Segment information about these businesses is presented below:

#### 2002

	Garment Trading HK\$'000	Proprietary Trading in Securities (discontinued) HK\$'000	Securities Broking HK\$'000	Health Products Operation HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>						
External sales	21,543	111,338	776	-	-	133,657
Inter-segment sales (purchase)	-	(277)	574	-	(297)	-
	21,543	111,061	1,350	-	(297)	133,657

Inter-segment sales are charged at prevailing market rates.

#### **RESULT**

Segment results	(12,186)	(772)	(2,126)	(94)	(114)	(15,292)
Income from investments						52,259
Unallocated corporate expenses						(29,461)
Profit before taxation						7,506
Taxation						(92)
Net profit for the year						7,414



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

#### OTHER INFORMATION

	Garment Trading HK\$'000	Proprietary Trading in Securities HK\$'000	Securities Broking (discontinued) HK\$'000	Health Products Operation HK\$'000	Others HK\$'000	Consolidated HK\$'000
Additions to property, plant and equipment	18,511	-	41	-	-	18,552
Depreciation and amortisation of property, plant and equipment	4,246	-	241	-	565	5,052
Amortisation of intangible asset	-	-	68	-	-	68
Impairment loss recognised on investments in securities	-	-	-	-	7,236	7,236
Bad debts written off	-	-	1	-	827	828

#### BALANCE SHEET

	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>					
Segment assets	31,820	24,179	19,789	-	75,788
Interests in associates					225
Unallocated corporate assets					718,912
					<hr/>
Consolidated total assets					794,925
					<hr/>
<b>LIABILITIES</b>					
Segment liabilities	8,658	30	113	39	8,840
Unallocated corporate liabilities					32,812
					<hr/>
Consolidated total liabilities					41,652
					<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

#### 2001

	Garment Trading HK\$'000	Proprietary Trading in Securities HK\$'000	Securities Broking (discontinued) HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	52,762	186,055	1,183	-	240,000
Inter-segment sales	-	658	891	(1,549)	-
	52,762	186,713	2,074	(1,549)	240,000

Inter-segment sales are charged at prevailing market rates.

#### **RESULT**

Segment results	1,391	639	1,411	54	3,495
Income from investments					45,934
Unallocated corporate expenses					(32,732)
Profit before taxation					16,697
Taxation					-
Net profit for the year					16,697

#### **OTHER INFORMATION**

	Garment Trading HK\$'000	Proprietary Trading in Securities HK\$'000	Securities Broking (discontinued) HK\$'000	Others HK\$'000	Consolidated HK\$'000
Additions to property, plant and equipment	1,881	-	129	-	2,010
Depreciation and amortisation on property, plant and equipment	651	-	218	893	1,762
Amortisation of intangible asset	-	-	68	-	68
Allowance for doubtful debts	13,537	-	-	-	13,537
Allowance for advances to an associate	-	-	-	2,500	2,500

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

#### BALANCE SHEET

	Garment Trading HK\$'000	Proprietary Trading in Securities HK\$'000	Securities Broking (discontinued) HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>				
Segment assets	123,270	33,702	22,685	179,657
Unallocated corporate assets				595,044
				<hr/>
Consolidated total assets				774,701
				<hr/>
<b>LIABILITIES</b>				
Segment liabilities	2,552	17	4,001	6,570
Unallocated corporate liabilities				17,866
				<hr/>
Consolidated total liabilities				24,436
				<hr/>

#### Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the good/services:

	Sales revenue by geographical market		Contribution to (loss) profit from operation	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	112,114	240,000	(10,228)	16,697
People's Republic of China	21,543	–	(12,300)	–
Unallocated	–	–	30,034	–
				<hr/>
	133,657	240,000	7,506	16,697
				<hr/>

With effect from 31st May, 2002, the Group had ceased securities dealing business. Sales revenue from the Group's discontinued operation was derived principally from Hong Kong (2002: HK\$776,000; 2001: HK\$1,183,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

#### Geographical segments – continued

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible asset	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	211,885	261,574	1,196	569
People's Republic of China	22,616	15,056	17,356	1,441
Unallocated	560,424	498,071	–	–
	<b>794,925</b>	<b>774,701</b>	<b>18,552</b>	<b>2,010</b>

### 6. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Bad debt recovered	3,264	492
Dividends from equity investments	6	7
Gain on foreign exchange	592	–
Gain on disposal of other investments	18,537	6,254
Interest income on:		
– bank deposits	3,711	15,274
– investments in securities	41,482	34,597
– loan	107	323
– others	88	–
Rental income from investment properties, net of insignificant outgoings	29	341
Net unrealised gain on revaluation of other investments	342	46
Sundry income	1,530	713
Surplus on revaluation of leasehold land and buildings	–	235
	<b>69,688</b>	<b>58,282</b>

Include above is income from listed investments HK\$21,322,000 (2001: HK\$17,963,000) and from unlisted investments of HK\$20,166,000 (2001: HK\$16,641,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration		
– current year	497	480
– overprovision in the prior year	–	(47)
	497	433
Deficit on revaluation of leasehold land and buildings	2,170	–
Deficit on revaluation of investment properties	–	700
Amortisation of intangible asset	68	68
Depreciation and amortisation of property, plant and equipment	5,052	1,762
Loss on disposal of property, plant and equipment	1,437	452
Impairment loss recognised on investments in securities	7,236	–
Preliminary expenses	–	47
Bad debts written off	828	13,537
Operating lease rentals in respect of rented premises	988	2,352
Loss on foreign exchange	–	128
Staff costs (including directors' remuneration, <i>note 8</i> )		
Wages and salaries	27,361	25,461
Retirement benefits scheme contributions	270	697
Less: Forfeited contributions	–	(178)
Net retirement benefits scheme contributions	270	519
	27,631	25,980
	45,907	45,459

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 8. DIRECTORS' EMOLUMENTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Directors' fees:		
Executive	–	–
Independent non-executive	300	360
	300	360
Other emoluments (executive directors):		
Salaries and other benefits	13,974	13,777
Retirement benefits scheme contributions	37	322
	14,011	14,099
	14,311	14,459

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 (2001: HK\$300,000).

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

	2002 <b>No. of Directors</b>	2001 <b>No. of Directors</b>
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	1	–
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	1	–

During the year, no emoluments were paid by the Group to the Directors of the Company as an inducement to join or upon joining the Group.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2001: four) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining highest paid individual were as follows:

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	721	825
Compensation for loss of office	222	–
Retirement benefits scheme contributions	9	20
	952	845

### 10. TAXATION

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Provision for the current year	16	–
Underprovision in the prior year	76	–
	92	–

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Details of the potential deferred tax credit not provided for are set out in note 24.

### 11. DIVIDENDS

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid – Nil (2001: HK0.5 cents per share)	–	6,253

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2002*

### **12. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit for the year of HK\$7,414,000 (2001: HK\$16,697,000) and on the weighted average number of 1,238,918,291 (2001: 1,250,453,195) shares in issue during the year.

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 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, 2001	25,000	6,245	559	1,892	2,462	2,746	1,449	40,353
Transfer from investment properties ( <i>note 14</i> )	3,400	-	-	-	-	-	-	3,400
Additions	-	3,642	13,416	219	57	418	800	18,552
Disposals/written off	-	(798)	-	(340)	(806)	(564)	-	(2,508)
Deficit on revaluation	(2,880)	-	-	-	-	-	-	(2,880)
<b>At 30th June, 2002</b>	<b>25,520</b>	<b>9,089</b>	<b>13,975</b>	<b>1,771</b>	<b>1,713</b>	<b>2,600</b>	<b>2,249</b>	<b>56,917</b>
Comprising:								
At Cost	-	9,089	13,975	1,771	1,713	2,600	2,249	31,397
At Valuation - 2002	25,520	-	-	-	-	-	-	25,520
	25,520	9,089	13,975	1,771	1,713	2,600	2,249	56,917
DEPRECIATION AND AMORTISATION								
At 1st July, 2001	-	5,713	-	1,479	1,803	2,333	392	11,720
Provided for the year	710	1,084	2,257	75	48	306	572	5,052
Eliminated on disposals/ written off	-	(333)	-	(31)	(201)	(441)	-	(1,006)
Eliminated on revaluation	(710)	-	-	-	-	-	-	(710)
<b>At 30th June, 2002</b>	<b>-</b>	<b>6,464</b>	<b>2,257</b>	<b>1,523</b>	<b>1,650</b>	<b>2,198</b>	<b>964</b>	<b>15,056</b>
NET BOOK VALUES								
At 30th June, 2002	25,520	2,625	11,718	248	63	402	1,285	41,861
At 30th June, 2001	25,000	532	559	413	659	413	1,057	28,633

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

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

#### THE GROUP

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

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land in Hong Kong:		
Long lease	<b>21,500</b>	22,500
Medium-term lease	<b>4,020</b>	2,500
	<b>25,520</b>	25,000

The leasehold land and buildings of the Group in Hong Kong were revalued at 30th June, 2002 by FPD Savills (Hong Kong) Limited, International Property Consultants, on an open market value basis. This deficit arising on revaluation of HK\$2,170,000 (2001: revaluation surplus of HK\$235,000) has been charged or 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\$38,282,000 (2001: HK\$36,014,000).

During the year, the investment properties with carrying value of HK\$3,400,000, which is based on valuation as at 30th June, 2001 by FPD Savills (Hong Kong) Limited, International Property Consultants, on an open market value basis, were reclassified as leasehold land and buildings since the properties are currently occupied by the Group for internal use.

### 14. INVESTMENT PROPERTIES

#### THE GROUP

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
VALUATION		
At 1st July	<b>3,400</b>	4,100
Less: Transfer to leasehold land and buildings ( <i>note 13</i> )	<b>(3,400)</b>	–
Revaluation deficit	–	(700)
	–	3,400

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 14. INVESTMENT PROPERTIES – continued

The investment properties as at 30th June, 2001, which were located in Hong Kong and held under medium term lease, was transferred to leasehold land and buildings in the current year at the carrying value as at 30th June, 2001. The investment properties were revalued at 30th June, 2001 by FPD Savills (Hong Kong) Limited, International Property Consultants, on an open market value basis. The deficit arising on revaluation for 2001 of HK\$700,000 had been charged to the income statement.

All investment properties of the Group held as at 30th June, 2001 are rented out under operating leases.

### 15. INVESTMENTS IN SECURITIES

#### THE GROUP

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities						
Listed	11,677	98	340	3,058	12,017	3,156
Unlisted	234	–	–	–	234	–
	<b>11,911</b>	<b>98</b>	<b>340</b>	<b>3,058</b>	<b>12,251</b>	<b>3,156</b>
Debt securities						
Listed	–	–	366,442	335,578	366,442	335,578
Unlisted	–	–	203,484	171,292	203,484	171,292
	<b>–</b>	<b>–</b>	<b>569,926</b>	<b>506,870</b>	<b>569,926</b>	<b>506,870</b>
<b>Total</b>	<b>11,911</b>	<b>98</b>	<b>570,266</b>	<b>509,928</b>	<b>582,177</b>	<b>510,026</b>
Listed – in Hong Kong	11,677	98	340	–	12,017	98
– elsewhere	–	–	366,442	338,636	366,442	338,636
Unlisted	234	–	203,484	171,292	203,718	171,292
<b>Total</b>	<b>11,911</b>	<b>98</b>	<b>570,266</b>	<b>509,928</b>	<b>582,177</b>	<b>510,026</b>
Market value of listed securities	11,666	58	366,782	338,636	378,448	338,694

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 15. INVESTMENTS IN SECURITIES – continued

#### THE GROUP – continued

	Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount analysed for reporting purposes						
Current	–	–	550,266	489,928	550,266	489,928
Non-current	11,911	98	20,000	20,000	31,911	20,098
	11,911	98	570,266	509,928	582,177	510,026

An impairment loss of approximately HK\$7,236,000 (2001: nil) was recognised to reduce the carrying value of certain investment securities to the recoverable amounts.

#### THE COMPANY

	Other investments	
	2002	2001
	HK\$'000	HK\$'000
Debt securities		
Listed outside Hong Kong	–	288,778
Unlisted	–	151,242
	–	440,020
Market value of listed securities	–	288,778

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 16. INTERESTS IN ASSOCIATES

#### THE GROUP

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Share of net assets	–	–
Advance to associates	2,725	2,500
Allowance for advances to an associate	(2,500)	(2,500)
	225	–

The amount is unsecured, non-interest bearing and no demand for repayment will be made in the foreseeable future.

As at 30th June, 2002, the Group had interests in the following associate:

Name of entity	Form of business structure	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	Incorporated	British Virgin Islands	Hong Kong	Ordinary	35%	Inactive
Wealthy Creative Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	42.5%	Health products project

### 17. INVESTMENTS IN SUBSIDIARIES

#### THE COMPANY

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost less dividends received	15,112	15,112
Less: Impairment loss recognised	(9,597)	(9,597)
	5,515	5,515

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 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, 2002 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Crystal Jointure Limited	Hong Kong	HK\$2	100%	Property holding
Dovedale Enterprises Limited	British Virgin Islands	US\$1	100%	Holding of trademark
First Sign Investments Limited	British Virgin Islands	US\$48	100%	Investment 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, 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: USD1,600,000	100%	Garments manufacturing & trading

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 17. INVESTMENTS IN SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Guangzhou Supreme Sign Knitting & Dyeing Company Limited	Note	Registered: USD5,000,000 Fully paid: USD2,450,000	100%	Manufacturing of knitwear
Pearl River Pacific Limited	British Virgin Islands	US\$1	100%	Investment holding
Sunvest Overseas Limited	British Virgin Islands	US\$1	100%	Investment holding

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 issued any debt securities 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.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 18. INTANGIBLE ASSET

#### THE GROUP

The intangible asset represents one trading right in the Stock Exchange arising from the restructuring of the exchanges in Hong Kong. Subsequent to the balance sheet date the Group has, subject to the approval of the Board of The Stock Exchange of Hong Kong Limited, sold its trading right at a consideration of approximately HK\$1,500,000.

	<i>HK\$'000</i>
<b>COST</b>	
At 1st July, 2001 and 30th June, 2002	681
<hr/>	
<b>AMORTISATION</b>	
At 1st July, 2001	68
Provided for the year	68
<hr/>	
<b>At 30th June, 2002</b>	<b>136</b>
<hr/>	
<b>NET BOOK VALUES</b>	
<b>At 30th June, 2002</b>	<b>545</b>
<hr/>	
At 30th June, 2001	613
<hr/>	

### 19. INVENTORIES

#### THE GROUP

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	<b>1,699</b>	2,321
Work in progress	<b>716</b>	–
<hr/>		
	<b>2,415</b>	2,321
<hr/>		

The amounts are stated at cost. Finished goods of approximately HK\$9,796,000 (2001: nil) were written off during the year.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 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 following is an aged analysis of trade debtors at the balance sheet date:

#### THE GROUP

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
0-30 days	227	4,026
31-60 days	111	–
Over 60 days	28	2
<hr/>		
Total	366	4,028
<hr/>		

### 21. TRADE CREDITORS

The following is an aged analysis of trade creditors at the balance sheet date:

#### THE GROUP

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
0-30 days	135	3,370
31-60 days	2,767	127
Over 60 days	3,618	415
<hr/>		
Total	6,520	3,912
<hr/>		

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 22. SHARE CAPITAL

	Number of shares of HK\$0.10 each		Share capital	
	2002	2001	2002 <i>HK\$'000</i>	2001 <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	1,249,144,400	1,250,760,400	124,914	125,076
Shares repurchased	(20,248,000)	(1,616,000)	(2,024)	(162)
<hr/>				
At end of year	1,228,896,400	1,249,144,400	122,890	124,914
<hr/>				

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 <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
October 2001	270,000	0.175	0.170	46
November 2001	708,000	0.200	0.165	140
December 2001	13,988,000	0.223	0.204	3,054
January 2002	3,966,000	0.232	0.215	887
April 2002	556,000	0.208	0.195	115
May 2002	760,000	0.220	0.210	164
<hr/>				
	20,248,000			4,406
<hr/>				

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 23. RESERVES

#### THE GROUP

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st July, 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)
<hr/>						
Balances at 30th June, 2001	242,903	162	1,000	18	381,268	625,351
Repurchase of own shares	(2,382)	2,024	–	–	(2,024)	(2,382)
Net profit for the year	–	–	–	–	7,414	7,414
<hr/>						
<b>Balances at 30th June, 2002</b>	<b>240,521</b>	<b>2,186</b>	<b>1,000</b>	<b>18</b>	<b>386,658</b>	<b>630,383</b>

#### THE COMPANY

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st July, 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/>					
Balances at 30th June, 2001	242,903	162	15,013	382,720	640,798
Repurchase of own shares	(2,382)	2,024	–	(2,024)	(2,382)
Net profit for the year	–	–	–	28,790	28,790
<hr/>					
<b>Balances at 30th June, 2002</b>	<b>240,521</b>	<b>2,186</b>	<b>15,013</b>	<b>409,486</b>	<b>667,206</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.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2002*

### 23. RESERVES – continued

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 (as amended), 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, 2002, the Company's reserves available for distribution to shareholders consisted of contributed surplus of HK\$15,013,000 (2001: HK\$15,013,000) and accumulated profits of HK\$409,486,000 (2001: HK\$382,720,000).

### 24. UNPROVIDED DEFERRED TAXATION

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

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	255	17	–	–
Estimated tax losses	8,670	12,422	–	242
	8,925	12,439	–	242

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 24. UNPROVIDED DEFERRED TAXATION – continued

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect on timing differences because of:		
Difference between tax allowances and depreciation	238	(392)
Estimated tax losses arising	308	5,786
Estimated tax losses expired upon liquidation of subsidiaries	(4,060)	–
	<hr/>	<hr/>
	(3,514)	5,394

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 revaluation deficit or surplus arising from the revaluation 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 revaluation does not constitute a timing difference for tax purposes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	7,506	16,697
Amortisation of intangible asset	68	68
Depreciation and amortisation of property, plant and equipment	5,052	1,762
Allowance for advances to an associate	–	2,500
Deficit (surplus) on revaluation of leasehold land and buildings	2,170	(235)
Impairment loss recognised on investments in securities	7,236	–
Deficit on revaluation of investment properties	–	700
Loss on disposal of property, plant and equipment	1,437	452
Dividend income	(6)	(7)
Interest income	(45,388)	(50,194)
Increase in inventories	(94)	(1,319)
(Increase) decrease in other investments	(60,338)	1,794
Decrease in trade debtors	3,662	334
Decrease (increase) in other debtors, prepayments and deposits	4,456	(10,942)
Decrease in amount due from a related company	–	6
Increase (decrease) in trade creditors	2,608	(417)
Increase (decrease) in other creditors and accrued charges	14,568	(1,456)
Net cash outflow from operating activities	(57,063)	(40,257)

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

	Share capital and share premium	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of year	367,817	368,117
Net cash outflow from financing	(4,406)	(300)
Balance at end of year	363,411	367,817

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

### 27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

#### THE GROUP AS LESSEE

	2002 HK\$'000	2001 HK\$'000
Operating lease rentals payable:		
Within one year	438	779
In the second to fifth year inclusive	1,428	–
	<hr/> 1,866	<hr/> 779

Operating lease payments represent rentals payable by the Group in respect of rented premises. Leases are negotiated for an average term of one year and rentals are fixed for one year. The Company did not have any operating lease commitment at the balance sheet date.

#### THE GROUP AS LESSOR

Property rental income earned during the year was HK\$29,000 (2001: HK\$341,000). All the Group's properties held for rental purposes, with a carrying amount of HK\$3,400,000 have been transferred to leasehold land and buildings for internal use purpose in the current year and no properties were held for rental income as at 30th June, 2002.

### 28. CAPITAL COMMITMENTS

At 30th June, 2002, the Group had capital commitments in respect of the acquisition of machinery and equipment amounting to HK\$64,000 (2001: HK\$9,816,000).

The Company had no capital commitment at 30th June, 2002 (2001: Nil).

### 29. CONTINGENT LIABILITIES

The Company has given guarantee to a bank in respect of general banking facilities granted to its subsidiary amounting to HK\$20 million (2001: HK\$20 million). At 30th June, 2002, no facilities was utilised by the subsidiary (2001: HK\$8.8 million).

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June, 2002*

### **30. RETIREMENT BENEFITS SCHEME**

The Group operates a Mandatory Provident Fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong including the Directors. 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 MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group paid retirement benefits contributions arising from the MPF Scheme of HK\$307,000 (2001: HK\$519,000).

### **31. RELATED PARTY TRANSACTIONS**

During the year, the Group did not enter into any transactions with related parties who are not members of the Group. In 2001, the sales and rebates made to the related party of the Group, Lovely Fashion Company Limited, in which Mr. Lung Tze Lam has a beneficial interest, amounted to HK\$4,554,000 and HK\$3,169,000 respectively.

The pricing of goods sold and the related rebates granted to Lovely Fashion Company Limited in 2001 were based on similar products sold to independent third parties.