



Notes to Financial Statements (Cont'd)

31 December 2002

6. DISCONTINUED OPEARTIONS (Cont'd)

The turnover, other revenue and gains, expenses, profit/(loss) before tax and tax attributable to the discontinued operations for the year ended 31 December 2002 are as follows:

	Leather ware products manufacture and distribution For the year ended 31 December		Packaging materials manufacture and distribution For the year ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	17,665	31,358	8,302	21,999
Cost of sales	(5,985)	(10,596)	(6,067)	(20,482)
Gross profit	11,680	20,762	2,235	1,517
Other revenue and gains	2,332	3,011	157	341
Selling and distribution costs	(7,259)	(12,176)	(832)	(2,036)
Administrative expenses	(7,144)	(14,550)	(760)	(1,842)
Other operating expenses, net	(24)	(45,091) *	(732)	(7,163)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(415)	(48,044)	68	(9,183)
Finance costs	(29)	(882)	–	–
PROFIT/(LOSS) BEFORE TAX	(444)	(48,926)	68	(9,183)
Tax	–	–	–	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(444)	(48,926)	68	(9,183)
Minority interests	177	5,575	–	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(267)	(43,351)	68	(9,183)

* Balance included an impairment of goodwill amounting to HK\$21,919,000.



Notes to Financial Statements (Cont'd)

31 December 2002

6. DISCONTINUED OPEARTIONS (Cont'd)

The carrying amounts of the total assets and liabilities of the discontinued operations at the balance sheet date are as follows:

	Leather ware products manufacture and distribution		Packaging materials manufacture and distribution	
	31 December 2002	31 December 2001	31 December 2002	31 December 2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	–	25,682	–	7,902
Total liabilities	–	(11,587)	–	(1,734)
Net assets	–	14,095	–	6,168

The net cash flows attributable to the discontinued operations for the year ended 31 December 2002 are as follows:

	Leather ware products manufacture and distribution For the year ended 31 December		Packaging materials manufacture and distribution For the year ended 31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating	(608)	(1,577)	(287)	(2,111)
Investing	(317)	(958)	154	(174)
Financing	–	–	–	–
Net cash outflows	(925)	(2,535)	(133)	(2,285)



Notes to Financial Statements (Cont'd)

31 December 2002

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	513,416	683,962
Auditors' remuneration	850	1,075
Depreciation on fixed assets	16,075	20,542
Amortisation of trademarks*	700	1,400
Staff costs (excluding directors' remuneration (Note 10)):		
Wages and salaries	30,166	39,690
Pension scheme contributions	1,386	1,540
Less: Forfeited contributions	–	–
Net pension scheme expenses**	1,386	1,540
	31,552	41,230
Annual fees paid to PRC joint venture partners	183	10,735
Operating leases in respect of land and buildings:		
Minimum lease payments	4,374	6,680
Contingent rental payments	1,542	3,007
	5,916	9,687
<i>Expenses included in other operating expenses, net:</i>		
Provision for impairment of trademarks	–	4,100
Deficit arising on revaluation of investment properties (Note 13)	2,938	7,499
Deficit arising on revaluation of leasehold land and buildings (Note 13)	556	11,670
Provisions against inventories	11,057	10,872
Provision against loans to an associate	–	4,716
Impairment of an investment in an associate	–	907
Provisions for doubtful debts	28,531	3,987
Less: Write back of provisions for doubtful debts	–	(2,389)
	28,531	1,598
Compensation payments in respect of the planned curtailment of operation of a subsidiary	–	4,616
Write off of fixed assets	386	1,109
Loss on disposal of fixed assets, net	1,764	247
Provision for impairment of fixed assets (Note 13)	1,493	19,417
Impairment of goodwill arising from acquisition of subsidiaries (Note 15)	133,349	21,919
Exchange losses/(gains), net	559	(4,735)



Notes to Financial Statements (Cont'd)

31 December 2002

7. LOSS FROM OPERATING ACTIVITIES (Cont'd)

The Group's loss from operating activities is arrived at after charging: (continued)

and after crediting:

	2002 HK\$'000	2001 HK\$'000
Other rental income	153	–
Royalty income	500	1,500
Gain from settlement of a litigation (Note 17)	3,900	–
Gain on disposal of a subsidiary	550	–
Gross rental income from investment properties	2,181	1,810
Add: Sublease income	82	189
Total rental income in respect of minimum lease receivables	2,263	1,999
Less: Outgoings from investment properties	(496)	(375)
Net rental income	1,767	1,624
Interest income	438	2,290

* The amortisation of trademarks for the year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

** The amount of forfeited pension scheme contributions available at the current and prior year ends to reduce contributions in future years is not material.

8. FINANCE COSTS

	Group 2002 HK\$'000	2001 HK\$'000
Interest on bank loans wholly repayable within five years	4,279	15,221
Interest on loans from immediate holding company	1,462	–
Interest on loans from fellow subsidiaries	646	–
	6,387	15,221



Notes to Financial Statements (Cont'd)

31 December 2002

9. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2001: Nil). No provision for Mainland China and overseas profits tax has been made (2001: Nil) as there were no assessable profits arising from the subsidiaries of the Company in Mainland China and overseas during the year.

	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong	-	-
Underprovision of Hong Kong profits tax in previous years	-	29
Overprovision of overseas profits tax in previous years	-	(117)
	<hr/>	<hr/>
Tax credited for the year	-	(88)
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There was no material unprovided deferred tax in respect of the year (2001: Nil).

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

- (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive Directors	-	-
Non-executive Directors	-	-
Independent non-executive Directors	36	40
	<hr/>	<hr/>
	36	40
Other emoluments to executive Directors:		
Salaries, allowances and benefits in kind	1,836	2,024
Pension scheme contributions	144	65
Less: Forfeited contributions	-	(27)
	<hr/>	<hr/>
Net pension scheme expenses *	144	38
	<hr/>	<hr/>
Total Directors' remuneration	2,016	2,102
	<hr/>	<hr/>

- * The amount of forfeited pension scheme contributions available at the current and prior year ends to reduce contributions in future years is not material.



Notes to Financial Statements *(Cont'd)*

31 December 2002

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

- (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows: (Cont'd)

During the year, no share option was granted to the directors in respect of their services to the Group. Accordingly, no value in respect of the share options granted has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	<u>14</u>	<u>9</u>

Mr. Xiong Guangyang, Mr. Zeng Haipeng, Mr. Hui Wai Man Lawrence, Mrs. Ho Lam Lai Ping Theresa, Mr. Tam Chiu Pang Jaffe, Mr. Wang Man Kwan Paul, Mr. Yuen Lam Fai Antony, Mr. Cheung Sing Tai, Mr. Lau Chi Sing, Mr. Yu Ziquan and Mr. Zhang Muhan, Directors and former Directors of the Company, waived the directors' fees aggregating for the year. Save for that, there was no arrangement under which a Director waived or agreed to waive any remuneration during the year.



Notes to Financial Statements (Cont'd)

31 December 2002

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

- (b) The five highest paid employees of the Group during the year included one (2001: two) Director, details of whose remuneration are set out in note (a) above. Amongst the remaining four individuals, one of whom was a former Director who resigned during the year and remains as an employee of the Group (2001: Nil), details of whose remuneration while as Director are included in note (a) above. Details of the remuneration of the said former Director as an employee together with the remaining three individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	1,587	3,783
Bonuses paid and payable	668	121
Loss from office	418	–
Pension scheme contributions	144	49
Less: Forfeited contributions	(4)	–
Net pension scheme contributions	140	49
	<u>2,813</u>	<u>3,953</u>



Notes to Financial Statements (Cont'd)

31 December 2002

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

(b) (Cont'd)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2002	2001
Nil – HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
	<u>4</u>	<u>3</u>

During the year, no share option was granted to the non-director, highest paid employees in respect of their services to the Group. Accordingly, no value in respect of the share options granted has been charged to the profit and loss account, or is otherwise included in the above five highest paid employees' remuneration disclosures.

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK\$456,633,000. (2001: HK\$119,695,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$205,201,000 (2001: HK\$72,283,000) and the weighted average of 524,154,000 (2001: 524,154,000) ordinary shares in issue during the year.

No diluted loss per share is presented for the years ended 31 December 2002 and 2001 as there was no diluting events existed during these years.



Notes to Financial Statements (Cont'd)

31 December 2002

13. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Investment properties HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Electronic equipment HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:									
At beginning of year	114,543	27,410	12,896	136,606	2,767	12,125	4,640	3,954	314,941
Additions	5,455	-	313	5,208	7	80	119	4,294	15,476
Disposals	(10,056)	-	(130)	(8,689)	(48)	(276)	(117)	-	(19,316)
Write off	-	-	(46)	(1,785)	(27)	(85)	(1,194)	-	(3,137)
Disposal of subsidiaries	(3,700)	-	(5,334)	(2,651)	-	(519)	(1,322)	-	(13,526)
Reclassifications	(869)	3,448	213	4,195	89	681	270	(8,027)	-
Surplus/(deficit) on revaluation, net	166	(2,938)	-	-	-	-	-	-	(2,772)
Written back on revaluation	(5,792)	-	-	-	-	-	-	-	(5,792)
Exchange realignment	(47)	-	(3)	(56)	(1)	(4)	-	-	(111)
At 31 December 2002	99,700	27,920	7,909	132,828	2,787	12,002	2,396	221	285,763
Analysis of cost or valuation:									
At cost	-	-	7,909	132,828	2,787	12,002	2,396	221	158,143
At 2002 valuation	99,700	27,920	-	-	-	-	-	-	127,620
Accumulated depreciation and impairment:									
At beginning of year	-	-	9,732	84,282	1,782	10,616	4,093	-	110,505
Provided for the year	6,113	-	178	8,623	223	533	405	-	16,075
Disposal	(260)	-	(12)	(4,826)	(12)	(226)	(105)	-	(5,441)
Write off	-	-	(27)	(1,457)	(24)	(54)	(1,189)	-	(2,751)
Disposal of subsidiaries	(44)	-	(5,069)	(2,651)	-	(506)	(997)	-	(9,267)
Written back on revaluation	(5,792)	-	-	-	-	-	-	-	(5,792)
Impairment	-	-	-	1,493	-	-	-	-	1,493
Exchange realignment	(17)	-	(1)	(31)	(1)	(3)	-	-	(53)
At 31 December 2002	-	-	4,801	85,433	1,968	10,360	2,207	-	104,769
Net book value:									
At 31 December 2002	99,700	27,920	3,108	47,395	819	1,642	189	221	180,994
At 31 December 2001	114,543	27,410	3,164	52,324	985	1,509	547	3,954	204,436



Notes to Financial Statements (Cont'd)

31 December 2002

13. FIXED ASSETS (Cont'd)

Company

	Investment property HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation:				
At beginning of year	14,000	1,264	1,767	17,031
Additions	–	43	48	91
Write off	–	(45)	–	(45)
Deficit on revaluation	(3,000)	–	–	(3,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	11,000	1,262	1,815	14,077
	<hr/>	<hr/>	<hr/>	<hr/>
Analysis of cost or valuation:				
At cost	–	1,262	1,815	3,077
At 2002 valuation	<u>11,000</u>	<u>–</u>	<u>–</u>	<u>11,000</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:				
At beginning of year	–	224	1,391	1,615
Provided for the year	–	72	254	326
Write off	–	(26)	–	(26)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	–	270	1,645	1,915
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 December 2002	<u>11,000</u>	<u>992</u>	<u>170</u>	<u>12,162</u>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	<u>14,000</u>	<u>1,040</u>	<u>376</u>	<u>15,416</u>
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Notes to Financial Statements (Cont'd)

31 December 2002

13. FIXED ASSETS (Cont'd)

The net book value of leasehold land and buildings and investment properties comprised:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Long term leases in Hong Kong	12,050	23,700	11,000	14,000
Medium term leases in Hong Kong	3,300	6,500	–	–
Medium term leases in Mainland China	112,270	111,753	–	–
At 31 December	<u>127,620</u>	<u>141,953</u>	<u>11,000</u>	<u>14,000</u>

The above leasehold land and buildings and investment properties were revalued by an independent professional valuer, RHL Appraisal Ltd., on an open market basis, based on their existing use, at 31 December 2002.

At 31 December 2002, the investment properties were revalued at HK\$27,920,000 with a revaluation deficit of HK\$2,938,000 which has been charged to the profit and loss account in the current year.

At 31 December 2002, the Group's leasehold land and buildings were revalued at HK\$99,700,000 with a net revaluation surplus of HK\$166,000. The portion of revaluation surplus of HK\$722,000 has been credited to property revaluation reserve and the revaluation deficit of HK\$556,000 has been charged to the profit and loss account in the current year.

Had the leasehold land and buildings of the Group been carried at historical cost less accumulated depreciation and impairment, their carrying values as at 31 December 2002 would have been HK\$63,355,000.

At 31 December 2002, an amount of HK\$2,600,000 (2001: HK\$3,000,000) included in investment properties of the Group is in respect of leasehold properties situated in Mainland China, in respect of which the land use right certificates are in the process of being obtained.

The impairment loss of fixed assets of HK\$1,493,000 represented full provision for the carrying values of certain idle production facilities in the Group's tannery plant.