



Notes to Financial Statements *(Cont'd)*

31 December 2002

14. TRADEMARKS

Group

HK\$'000

Cost:

At 1 January 2002	40,000
Disposal of a subsidiary	(40,000)

At 31 December 2002	–
---------------------	---

Accumulated amortisation and impairment:

At 1 January 2002	38,500
Amortisation during the year	700
Disposal of a subsidiary	(39,200)

At 31 December 2002	–
---------------------	---

Net book value:

At 31 December 2002	–
At 31 December 2001	1,500

15. GOODWILL

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.



Notes to Financial Statements *(Cont'd)*

31 December 2002

15. GOODWILL (Cont'd)

The movements of goodwill remaining in the consolidated general reserve fund, arising from the acquisition of subsidiaries prior to 1 January 2001, during the year are as follows:

Group	Goodwill eliminated against consolidated general reserve fund HK\$'000
Cost:	
At 1 January 2002 and 31 December 2002	167,746
Accumulated impairment:	
At 1 January 2002	34,397
Impairment (<i>Note</i>)	133,349
At 31 December 2002	167,746
Net amount:	
At 31 December 2002	-
At 31 December 2001	133,349

Note: Provision for impairment during the year is in respect of goodwill arising from the Company's acquisition of Nanhai Tannery & Leather Co., Ltd ("Nanhai Tannery"), a wholly-owned subsidiary of the Company, which is engaged in leather processing operation in Mainland China. In light of the claims, if any, from the PRC authorities, that would affect the operations of Nanhai Tannery, the Directors consider that the goodwill would not be recoverable, and accordingly, an impairment loss on the goodwill was made in the current year. Details of the potential claims from the authorities are set out in note 35(a) to the financial statements.



Notes to Financial Statements (Cont'd)

31 December 2002

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost	385,837	418,170
Due from subsidiaries	298,660	244,804
Due to subsidiaries	(2,555)	(1,057)
	<hr/>	<hr/>
	681,942	661,917
Less: Provision for impairment	(619,362)	(197,660)
	<hr/>	<hr/>
	<u>62,580</u>	<u>464,257</u>

Included in the amounts due from subsidiaries are unsecured loans of HK\$107,789,000, which bear interest at rates ranging from 3.8% per annum to 8.5% per annum and have no fixed terms of repayment. The remaining amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries at 31 December 2002 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of attributable equity interest held by the Company		Principal activities
			Directly %	Indirectly %	
Crown South (Hong Kong) Limited	Hong Kong	HK\$2	–	100	Property Investment
Gastor Enterprises Limited	British Virgin Islands	US\$150	100	–	Investment holding
Gold Star Assets Limited	Hong Kong	HK\$2	–	100	Investment holding



Notes to Financial Statements (Cont'd)

31 December 2002

16. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of attributable equity interest held by the Company		Principal activities
			Directly %	Indirectly %	
Guangdong Enterprises (North America) Fur Holdings Limited (Note 3)	Canada	CAD10,000	–	100	Dormant
Guangdong Tannery (Nominees) Limited	Hong Kong	HK\$2	100	–	Nominee services
Harbour Hill International Limited	Hong Kong	HK\$1,000,000	100	–	Import and export trade
Jadeford Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Kwok Wing (Hong Kong) Leather Ware Company Limited	Hong Kong	HK\$2	–	100	Investment holding
Nanhai Tannery & Leather Products Co., Ltd. (Note 2)	Mainland China	US\$8,000,000	100	–	Processing of cowhides and leather trading
Prized Time Limited	British Virgin Islands/Mainland China	US\$2	100	–	Property investment
Qingdao Nanhai Tannery Co., Ltd. (Note 1)	Mainland China	US\$2,500,000	100	–	Dormant
Sun Po (Hong Kong) Leather Ware Company Limited	Hong Kong	HK\$2	–	100	Property investment
Team Up Profits Limited	British Virgin Islands	US\$1	100	–	Investment holding



Notes to Financial Statements (Cont'd)

31 December 2002

16. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of attributable equity interest held by the Company		Principal activities
			Directly %	Indirectly %	
Time Wise Profits Limited	British Virgin Islands	US\$1	100	–	Import and export trade
Vermont Property Limited	British Virgin Islands	US\$1	100	–	Investment holding
Xuzhou Gangwei Colour Package Co., Ltd. (Note 2)	Mainland China	RMB18,000,000	100	–	Lessor of plant and machinery
Xuzhou Nanhai Leather Factory Co., Ltd. (Note 2)	Mainland China	RMB12,000,000	100	–	Processing of cowhides and leather trading
番禺國穎皮具手袋有限公司 (Note 2)	Mainland China	HK\$5,655,050	–	100	Dormant

Notes:

- 1 This is a sino-foreign co-operative joint venture, pursuant to the joint venture agreement, the registered capital of Qingdao Nanhai Tannery Co., Ltd. ("Qingdao Nanhai") was solely contributed by the Company. Whereas the PRC joint venture partner contributed its plant and equipment for the operation of Qingdao Nanhai. The Company is entitled to all its distributable profits after the payment of an agreed annual fee to the PRC joint venture partner. In the event of liquidation, the initial injected assets will be distributed to the respective original contributors and thereafter, any remaining surplus will vest with the Company.
- 2 Wholly foreign-owned enterprises
- 3 This company is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.



Notes to Financial Statements (Cont'd)

31 December 2002

17. INTERESTS IN ASSOCIATES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	907	907
Due from associates	7,270	26,037
	<hr/>	<hr/>
	8,177	26,944
Less: Provision for impairment	(8,177)	(26,944)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

In January 2001, the Group commenced an action in the United States of America against Hennessy International Group, Inc. ("HIGI") and certain of its owners/controllers (the "Defendants") in order to recover the Group's advances to HIGI amounting to US\$2,250,000. HIGI was an one-third associate of the Group.

On 16 August 2002, the Group reached a settlement with the Defendants and entered into an agreement. Pursuant to the agreement, the Group agreed to discharge the Defendants from its claims and to transfer its entire equity interest in HIGI to the Defendants in consideration of US\$500,000. As a result, HIGI has ceased to be the Group's associate since then.

Particulars of the Group's associate, which is a corporation, at 31 December 2002 are as follows:

Name	Place of incorporation/operations	Issued share capital	Percentage of nominal value of issued ordinary share capital held by the Group %	Principal activities
Essential Holdings Limited	British Virgin Islands	US\$100	32	Investment holding



Notes to Financial Statements (Cont'd)

31 December 2002

18. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	64,577	56,381
Work in progress	74,867	46,267
Finished goods	52,745	78,478
	<u>192,189</u>	<u>181,126</u>

The carrying amount of inventories carried at net realisable value included in the above is HK\$46,356,000 (2001: HK\$41,944,000).

19. RECEIVABLES, PREPAYMENTS AND DEPOSITS

As at 31 December 2002, included in the receivables, prepayments and deposits are trade receivables of HK\$56,979,000 due from the Group's customers.

The Group's trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to two to three months. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

As at 31 December 2002, the ageing analysis of the Group's trade receivables, based on payment due date, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 3 months	21,472	58,245
More than 3 months and less than 6 months	–	250
More than 6 months and less than 1 year	28,469	3,343
More than 1 year	7,038	8,965
	<u>56,979</u>	<u>70,803</u>
Less: Provisions for doubtful debts	(35,507)	(12,595)
	<u>21,472</u>	<u>58,208</u>



Notes to Financial Statements (Cont'd)

31 December 2002

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS AND BALANCES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	64,826	31,118	224	4,593
Time deposits	–	84,322	–	–
	<u>64,826</u>	<u>115,440</u>	<u>224</u>	<u>4,593</u>
Less: Pledged bank deposits and balances*	(12,972)	(16,671)	–	–
Cash and cash equivalents	<u>51,854</u>	<u>98,769</u>	<u>224</u>	<u>4,593</u>

* These bank deposits and balances are pledged to banks for trading facilities granted.

21. TRADE AND BILLS PAYABLES

As at 31 December 2002, the ageing analysis of the Group's trade and bills payables, based on payment due date, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 3 months	37,752	15,841
More than 3 months and less than 6 months	11,050	2,202
More than 6 months and less than 1 year	20	207
More than 1 year	450	216
	<u>49,272</u>	<u>18,466</u>



Notes to Financial Statements (Cont'd)

31 December 2002

22. LOAN TO AN OFFICER

Pursuant to Section 161B of the Companies Ordinance, a loan to an officer is disclosed as follows:

Name	Terms of the loan	Group and Company		Maximum amount outstanding during the year
		31/12/2002 HK\$'000	1/1/2002 HK\$'000	HK\$'000
Ms. Chan Miu Ting (Company Secretary)	Secured by her property, bears interest at 5% per annum and is repayable by monthly instalments	<u>1,015</u>	<u>1,058</u>	<u>1,058</u>

The loan is a staff housing loan used by Ms. Chan Miu Ting to purchase a flat as her main residence. During the year, the interest income earned from the officer amounting to HK\$52,000 (2001: HK\$80,000).

23. DUE TO PRC JOINT VENTURE PARTNERS

The amounts due to PRC joint venture partners are unsecured, interest-free and have no fixed terms of repayment.

24. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary was unsecured, interest-free and was disposed of as a result of the Group's disposal of the Alpha Universal Group during the year.

25. LOANS FROM IMMEDIATE HOLDING COMPANY

The loans were advanced by Guangdong Investment Limited. As at 31 December 2002, the balance consisted of two unsecured loans of RMB19,000,000 and RMB30,000,000 which are repayable in July 2003 and August 2003, respectively. These loans bear interest at 3.8% per annum.



Notes to Financial Statements *(Cont'd)*

31 December 2002

26. LOAN FROM A FELLOW SUBSIDIARY

As at 31 December 2002, the loan represented an unsecured loan of RMB10,000,000 from Yue Hai Hotel, Zhuhai, a fellow subsidiary of the Company, through an entrusted loan agreement, which bears interest at 4.2% per annum. The loan was subsequently repaid in January 2003.

During the year, Shenzhen Guangdong Hotel Enterprise Ltd., a fellow subsidiary of the Company, also advanced an unsecured loan of RMB8,000,000, through an entrusted loan agreement, to the Group. The loan bore interest at 4.2% per annum and was repaid during the year.

27. BANK BORROWINGS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank loans:		
Secured	67,076	11,080
Unsecured	–	149,700
	<u>67,076</u>	<u>160,780</u>
The maturity of the above amounts are as follows:		
Within one year or on demand	50,409	96,763
In the second year	16,667	64,017
	<u>67,076</u>	<u>160,780</u>
Less: Portion classified as current liabilities	(50,409)	(96,763)
Long term portion	<u>16,667</u>	<u>64,017</u>