

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 8. TAXATION

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	25,453	27,553
Underprovision in previous years	1,509	570
Refund for the year	–	(4,140)
	<u>26,962</u>	<u>23,983</u>
Overseas taxation	6,954	12,416
Deferred taxation ( <i>note 21</i> )	(1,373)	(4,277)
Share of taxation attributable to jointly controlled entities	205	177
	<u>32,748</u>	<u>32,299</u>

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

The refund for the year ended 31st August, 1999 represented a 10% refund of the Hong Kong Profits Tax paid for the year ended 31st August, 1997 granted by the Inland Revenue Department during that year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation for the year are set out in note 21.

## 9. PROFIT FOR THE YEAR

Of the Group's consolidated profit for the year, a profit of approximately HK\$133,221,000 (1999: HK\$119,585,000) has been dealt with in the financial statements of the Company.

## 10. DIVIDENDS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Paid:		
Interim of HK3.5 cents (1999: HK2 cents) per share	27,008	15,433
Proposed:		
Final of HK3.5 cents (1999: HK5 cents) per share	27,008	38,584
	<u>54,016</u>	<u>54,017</u>

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

*Profit for the year*

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of basic earnings per share	<b>186,897</b>	218,226
Effect of dilutive potential ordinary shares in respect of convertible guaranteed notes	–	11,552
	<u>186,897</u>	<u>229,778</u>

*Number of shares*

	<b>2000</b>	1999
Number of ordinary shares for the purpose of basic earnings per share	<b>771,658,960</b>	771,658,960
Effect of dilutive potential ordinary shares in respect of:		
Share options	<b>256,453</b>	–
Convertible guaranteed notes	–	73,172,227
	<u>771,915,413</u>	<u>844,831,187</u>

## 12. INVESTMENT PROPERTIES

	<b>THE GROUP</b>
	<i>HK\$'000</i>
At 1st September, 1999	124,500
Reclassification from land and buildings	13,889
Deficit arising on revaluation	(12,529)
	<u>125,860</u>
<b>At 31st August, 2000</b>	<b>125,860</b>

All of the investment properties of the Group are situated in Hong Kong and are held under medium-term leases for rental income under operating leases.

The investment properties of the Group were revalued at 31st August, 2000 on an open market value basis by Brooke International, a firm of independent property valuers. The deficit arising on revaluation has been charged to the consolidated income statement for the year.

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 13. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

	Land	Buildings	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST OR VALUATION</b>							
At 1st September, 1999	338,063	885,328	207,260	1,514,184	23,234	167,562	3,135,631
Currency realignment	(158)	(2,581)	(1,461)	(7,294)	(112)	(49)	(11,655)
Additions	3,896	10,513	7,672	56,527	1,669	17,362	97,639
Reclassifications:							
to investment properties	(8,858)	(8,858)	–	–	–	–	(17,716)
from construction in progress	–	97,204	73,136	5,067	–	(175,407)	–
Disposals	–	–	(7,444)	(4,274)	(535)	–	(12,253)
<b>At 31st August, 2000</b>	<b>332,943</b>	<b>981,606</b>	<b>279,163</b>	<b>1,564,210</b>	<b>24,256</b>	<b>9,468</b>	<b>3,191,646</b>
Comprising:							
At cost	29,741	431,336	279,163	1,564,210	24,256	9,468	2,338,174
At 1995 valuation	303,202	550,270	–	–	–	–	853,472
	332,943	981,606	279,163	1,564,210	24,256	9,468	3,191,646
<b>DEPRECIATION AND AMORTISATION</b>							
At 1st September, 1999	68,941	181,847	118,469	848,283	20,043	–	1,237,583
Currency realignment	(14)	(120)	(510)	(1,843)	(55)	–	(2,542)
Provided for the year	5,747	27,123	22,518	115,915	989	–	172,292
Reclassifications	(1,900)	(1,927)	–	–	–	–	(3,827)
Eliminated on disposals	–	–	(7,345)	(2,690)	(494)	–	(10,529)
<b>At 31st August, 2000</b>	<b>72,774</b>	<b>206,923</b>	<b>133,132</b>	<b>959,665</b>	<b>20,483</b>	<b>–</b>	<b>1,392,977</b>
<b>NET BOOK VALUES</b>							
<b>At 31st August, 2000</b>	<b>260,169</b>	<b>774,683</b>	<b>146,031</b>	<b>604,545</b>	<b>3,773</b>	<b>9,468</b>	<b>1,798,669</b>
At 31st August, 1999	269,122	703,481	88,791	665,901	3,191	167,562	1,898,048

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 13. PROPERTY, PLANT AND EQUIPMENT - Continued

The net book value of properties shown above comprises:

	Land and buildings		Construction in progress	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Properties situated in Hong Kong				
under medium-term leases	<b>653,282</b>	682,902	–	–
Properties situated outside Hong Kong:				
Freehold	<b>263</b>	291	–	–
Long leases and long-term land use rights	<b>70,044</b>	68,604	–	–
Medium-term land use rights	<b>311,263</b>	220,806	<b>9,468</b>	167,562
	<b>1,034,852</b>	972,603	<b>9,468</b>	167,562

Certain leasehold land and buildings of the Group are stated at 1995 valuation less subsequent depreciation, amortisation and provision for impairment losses in 1998. The valuation was carried out by Brooke International, a firm of independent property valuers, as at 31st August, 1995 on an open market existing use basis.

The aggregate amount of properties stated at cost or valuation has been apportioned between land and buildings on the basis of an estimate made by the directors.

If land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation, amortisation and provision for impairment losses at approximately HK\$460,808,000 (1999: HK\$482,633,000).

Included in construction in progress as at 31st August, 1999 was net interest capitalised of approximately HK\$11,909,000. The construction in progress inclusive of the net interest capitalised was transferred to the appropriate category of property, plant and equipment after the completion of the construction works during the year. No interest was capitalised under construction in progress at 31st August, 2000.

The net book value of property, plant and equipment of the Group includes an amount of approximately HK\$141,572,000 (1999: HK\$239,216,000) in respect of assets held under finance leases and hire purchase contracts.

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 13. PROPERTY, PLANT AND EQUIPMENT - Continued

### THE COMPANY

	<b>Furniture, fixtures and equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>COST</b>			
At 1st September, 1999	29,333	4,080	33,413
Additions	980	–	980
Disposals	(5,438)	–	(5,438)
<b>At 31st August, 2000</b>	<b>24,875</b>	<b>4,080</b>	<b>28,955</b>
<b>DEPRECIATION</b>			
At 1st September, 1999	25,364	3,915	29,279
Provided for the year	1,950	55	2,005
Eliminated on disposals	(5,407)	–	(5,407)
<b>At 31st August, 2000</b>	<b>21,907</b>	<b>3,970</b>	<b>25,877</b>
<b>NET BOOK VALUES</b>			
<b>At 31st August, 2000</b>	<b>2,968</b>	<b>110</b>	<b>3,078</b>
At 31st August, 1999	3,969	165	4,134

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 14. INTERESTS IN SUBSIDIARIES

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>48,693</b>	48,693
Surplus arising on revaluation	<b>1,694,059</b>	1,646,966
	<b>1,742,752</b>	1,695,659
Amounts due from subsidiaries	<b>2,657,713</b>	2,351,704
Interests in subsidiaries	<b>4,400,465</b>	4,047,363
Amounts due to subsidiaries	<b>1,197,788</b>	1,337,520

A revaluation of the investments in subsidiaries was made by the directors as at 31st August, 2000 to reflect the underlying net asset values of the subsidiaries at that date.

In the opinion of the directors, the amounts due from and the amounts due to subsidiaries will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current.

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 14. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the principal subsidiaries of the Company at 31st August, 2000 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Dongguan Fuan Textiles Limited ("Dongguan Fuan")	People's Republic of China ("PRC")	HK\$314,980,000 (note)	–	51	Knitting, dyeing and sales of dyed fabrics and yarns
Dongguan Shatin Lake Side Textiles Printing & Dyeing Co., Ltd. ("Dongguan Shatin Lake Side")	PRC	HK\$102,000,000 (note)	–	90	Dyeing, printing and sales of dyed fabrics
Faun Industries Limited	Hong Kong	HK\$2	100	–	Trading of dyed fabrics and yarns
Folktune Limited	Hong Kong	HK\$2	100	–	Investment holding
Fountain Set Limited	Hong Kong	HK\$3,000,000	100	–	Trading of dyed fabrics and yarns
Fountain Set Textiles (B.C.) Limited	Canada	C\$500,000 (Common shares)	80	–	Trading of fabrics, yarns and threads
Fountain Set Textiles (Ontario) Limited	Canada	C\$300,000 (Common shares)	51	–	Trading of fabrics, yarns and threads
Gold Wheat Investment Limited	Hong Kong	HK\$2	100	–	Property holding
Goldlink Thread Limited	Hong Kong	HK\$5,000,000	60	–	Trading of threads
Highscene Limited	Hong Kong	HK\$3,000,000	–	100	Trading of yarns

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 14. INTERESTS IN SUBSIDIARIES - Continued

Name of subsidiary	Place/ country of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Jinyue Industrial Limited	Hong Kong	HK\$100	–	100	Trading of dyed yarns
K.L.W. Limited	Hong Kong	HK\$28,571,429	–	70	Sales of garments
Lake Side Printing Factory Limited	Hong Kong	HK\$2	100	–	Investment holding
Ocean Lanka (Private) Limited	Democratic Socialist Republic of Sri Lanka	RS985,000,000	–	60	Knitting, dyeing and sales of dyed fabrics

Note:

Dongguan Fuan and Dongguan Shatin Lake Side were established by the Group with certain independent third parties. Since the signing of various agreements in previous years, the Group has been entitled to all of the net profits arising from the operations of Dongguan Fuan and Dongguan Shatin Lake Side after the payment of certain fixed amounts to the above independent third parties each year for a term of 10 years up to 31st December, 2000 for Dongguan Fuan and for a term of 25 years up to 1st December, 2021 for Dongguan Shatin Lake Side, and the Group is also entitled to and responsible for all of the assets and liabilities of Dongguan Fuan and Dongguan Shatin Lake Side other than any amounts contributed by the above independent third parties. The Group is negotiating with the independent third parties to extend the term of the relevant agreements governing Dongguan Fuan, the term of which will expire on 31st December, 2000 as mentioned above. No conclusion on the extension of term has been reached at 31st August, 2000 and negotiation continues after the balance sheet date.

The above table includes the subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the balance sheet date. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



# Notes to the Financial Statements

For the year ended 31st August, 2000

## 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Share of net assets of jointly controlled entities	5,285	4,485
Amounts due from jointly controlled entities	<u>41,548</u>	<u>42,107</u>
	<u><u>46,833</u></u>	<u><u>46,592</u></u>

In the opinion of the directors, the amounts due from jointly controlled entities will not be repayable within one year of the balance sheet date. Accordingly such amounts have been classified as non-current.

Particulars of the jointly controlled entities of the Group at 31st August, 2000 are as follows:

Name of entity	Place of incorporation and operation	Proportion of nominal value of issued share capital indirectly held by the Company	Principal activity
Cheong Fook Development Limited	Hong Kong	50%	Property holding
Hoopeston Limited	Hong Kong	50%	Property holding
Simking Development Limited	Hong Kong	50%	Property holding
Upperwin Development Limited	Hong Kong	50%	Property holding
Viewluck Development Limited	Hong Kong	50%	Property holding

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 16. INVENTORIES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Raw materials	534,541	474,367
Work in progress	257,628	216,785
Finished goods	264,388	242,497
	<u>1,056,557</u>	<u>933,649</u>

Included above are raw materials of approximately HK\$11,707,000 (1999: HK\$14,369,000), work-in-progress of approximately HK\$10,554,000 (1999: HK\$12,837,000) and finished goods of approximately HK\$17,090,000 (1999: HK\$10,877,000) which are carried at net realisable value at the balance sheet date.

## 17. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 75 days to its trade customers.

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

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade receivables:				
Not yet due	463,831	465,541	–	–
Overdue 0 – 30 days	142,893	146,776	–	–
Overdue 31 – 60 days	135,739	114,256	–	–
Overdue > 60 days	133,424	211,991	–	–
	<u>875,887</u>	<u>938,564</u>	<u>–</u>	<u>–</u>
Other receivables:				
Post-dated cheques receivable	76,752	20,953	–	–
Bills receivable	169,626	145,728	–	–
Prepayments	11,576	17,076	21,370	20,390
Dividends receivable	–	–	134,000	115,000
Others	201,326	149,973	7,953	4,100
	<u>459,280</u>	<u>333,730</u>	<u>163,323</u>	<u>139,490</u>
	<u>1,335,167</u>	<u>1,272,294</u>	<u>163,323</u>	<u>139,490</u>

# Notes to the Financial Statements

For the year ended 31st August, 2000

## 18. TRADE AND OTHER PAYABLES

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

	THE GROUP		THE COMPANY	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Trade payables:				
Not yet due	<b>158,879</b>	125,472	–	–
Overdue 0 – 30 days	<b>29,252</b>	41,174	–	–
Overdue 31 – 60 days	<b>12,935</b>	10,932	–	–
Overdue > 60 days	<b>5,893</b>	15,230	–	–
	<b>206,959</b>	192,808	–	–
Other payables:				
Accrued expenses	<b>75,152</b>	92,675	<b>11,385</b>	10,259
Receipts in advance	–	268	<b>91,448</b>	106,532
Others	<b>47,625</b>	35,862	<b>658</b>	348
	<b>122,777</b>	128,805	<b>103,491</b>	117,139
	<b>329,736</b>	321,613	<b>103,491</b>	117,139