

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. During the year, the Group disposed of its operations relating to publishing and provision of related services and focused on the manufacture and trading of garments thereafter.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies which have been adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from or up to their effective dates of acquisition or disposal respectively.

### **Goodwill and capital reserve**

Goodwill or capital reserve arising on the acquisition of a subsidiary represents the excess or shortfall of the purchase consideration over the Group’s share of the fair value ascribed to the separable net assets of a subsidiary at the date of acquisition. Goodwill or capital reserve is written off or credited directly to reserves in the year of acquisition.

On disposal of a subsidiary, the attributable amount of goodwill or capital reserve previously written off against or credited to reserves is included in the determination of the profit or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or 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 in the value of the subsidiary.

### **Investments 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 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.

When 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 assets transferred.

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

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation. 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 asset has 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 from disposal or retirement of an asset is determined as the difference between the sale 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.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment *(continued)*

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.

Any revaluation increase arising on revaluation of 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.

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired terms of the leases
Buildings	3.8%
Leasehold improvements	10 – 20%
Machinery and equipment	5 – 33 <sup>1</sup> / <sub>3</sub> %
Furniture and office equipment	10 – 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	10 – 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Cash equivalents**

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

### **Revenue recognition**

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

Revenue from sales of newspapers and other publications to distributors or dealers is recognised when the products are delivered and title has passed and the Group retains no significant obligation. Allowances for estimated future returns and exchanges are recorded in the period in which the related revenue is recognised.

Advertising revenue is recognised on publication date.

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

Dividends are recognised by the Company when the Company's right to receive payment has been established.

### **Finance leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding principal portions of commitments are shown as obligations of the Group. The finance costs, which represent the difference between the total leasing commitments and the original outstanding principal at the inception of the leases, are charged to the income statement as finance charges so as to produce a constant periodic rate of charge over the periods of the respective leases.

### **Operating leases**

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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 under 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.

### **Quotas**

Revenue from the sale of, and the cost of acquiring, temporary quotas are dealt with in the income statement in the period in which they arise. Quotas allocated by the authorities are not capitalised and are not included as assets in the balance sheet. The cost of permanent quotas acquired are amortised over a fixed period not exceeding five years or the remaining life of the relevant quota agreement, whichever is the shorter.

### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars 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 overseas subsidiaries are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on translation, if any, are dealt with in the translation reserve.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 3. TURNOVER

	Turnover		Contribution to profit (loss) before taxation	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
– sales of garment products to the United States of America	222,632	79,733	16,367	5,816
Discontinued operations:				
– publishing and provision of related services in Hong Kong	42,152	152,478	(6,836)	(30,599)
– others	—	—	—	(1,413)
	<u>264,784</u>	<u>232,211</u>	<u>9,531</u>	<u>(26,196)</u>

## 4. OTHER REVENUE

Included in other revenue is bank deposit interest income amounting to approximately HK\$250,000 (2000: HK\$91,000) earned during the year.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 5. PROFIT (LOSS) FROM OPERATIONS

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration:		
– current year	535	733
– underprovision in prior years	230	42
Depreciation and amortisation on assets:		
– owned by the Group	8,475	25,273
– held under a finance lease	1	2
Loss on disposal of property, plant and equipment	67	—
Operating lease rentals in respect of rented premises	2,441	8,538
Quota expenses	26,550	5,396
Staff costs, including directors' remuneration and retirement benefit scheme contributions	<u>26,451</u>	<u>88,690</u>

### (i) Information regarding directors' and employees' emoluments

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Directors' emoluments</b>		
Directors' fees:		
Executive	380	300
Non-executive	340	200
	<u>720</u>	<u>500</u>
Other emoluments to executive directors:		
Salaries and others	774	180
Retirement benefit scheme contributions	8	—
	<u>782</u>	<u>180</u>
	<u>1,502</u>	<u>680</u>

The emoluments of each of the directors were below HK\$1,000,000.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 5. PROFIT (LOSS) FROM OPERATIONS *(continued)*

### (i) Information regarding directors' and employees' emoluments *(continued)*

#### Employees' emoluments

The five highest paid individuals of the Group included two directors (2000: *no director*). The emoluments of the remaining three (2000: *five*) highest paid employees are as follows:

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Salaries and others	1,210	2,575
Performance related incentive payments	—	732
Retirement benefit scheme contributions	12	87
	<u>1,222</u>	<u>3,394</u>

The emoluments of each of the three (2000: *five*) highest paid employees were below HK\$1,000,000.

### (ii) Retirement benefit scheme contributions

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Retirement benefit scheme contributions to the Group's defined contribution schemes	342	1,925
Less: Forfeited contributions	(75)	(661)
	<u>267</u>	<u>1,264</u>

Certain subsidiaries of the Group operate defined contribution retirement benefit schemes for their qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees.

In the light of the introduction of the Mandatory Provident Fund ("MPF") Scheme, the Group has restructured its retirement arrangements to comply with the MPF legislation. The Group has secured MPF exemption status for the retirement benefit scheme and participates in an approved MPF scheme with the HSBC Provident Fund Trustee (Hong Kong) Limited effective December 1, 2000. All new employees are required to participate in the MPF Scheme. Mandatory benefits are being provided under the MPF Scheme.



# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 5. PROFIT (LOSS) FROM OPERATIONS *(continued)*

### (ii) Retirement benefit scheme contributions *(continued)*

The cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group in the future years are reduced by the amount of forfeited contributions.

At the balance sheet date, the Group did not have forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years (2000: HK\$8,000).

## 6. FINANCE COSTS

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	(1,684)	(3,716)
Amount due to a related company	(1,535)	—
Amount due to a minority shareholder of a subsidiary	(47)	(105)
Amount due to ultimate holding company	—	(16,015)
Amount due to a fellow subsidiary	—	(1,051)
	<u>(3,266)</u>	<u>(20,887)</u>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 7. DISCONTINUED OPERATIONS

In June 2000, the Group disposed of its controlling interest in Island Gold Developments Limited and its subsidiaries (the "Island Gold Group"), which is engaged in the business of newspaper and magazine publications and offset printing services.

The results of the operations of the Island Gold Group for the period from April 1, 2000 to June 27, 2000, which have been included in the consolidated income statement, are as follows:

	April 1, 2000 to June 27, 2000	April 1, 1999 to March 31, 2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Turnover	42,152	152,478
Operating costs	<u>(48,988)</u>	<u>(183,077)</u>
Loss from operations	<u><u>(6,836)</u></u>	<u><u>(30,599)</u></u>

The loss arising from the disposal of the Island Gold Group amounted to approximately HK\$334,000 (*note 25*).

## 8. TAXATION

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
The taxation charge comprises:		
Hong Kong Profits Tax:		
– current year	(2,716)	(710)
– overprovision in prior year	<u>98</u>	<u>—</u>
	(2,618)	(710)
Deferred taxation (charge) credit	<u>(89)</u>	<u>157</u>
	<u><u>(2,707)</u></u>	<u><u>(553)</u></u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit of the year. Details of deferred taxation provided and significant potential unprovided deferred taxation are set out in note 23.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 9. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the profit (loss) attributable to shareholders, a loss of approximately HK\$2,336,000 (2000: HK\$105,551,000) has been dealt with in the income statement of the Company.

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the Group's profit attributable to shareholders of approximately HK\$3,169,000 (2000: loss of HK\$84,979,000) and on the weighted average number of 8,373,011,515 (2000: 4,538,585,784) ordinary shares in issue during the year.

No diluted earnings (loss) per share figures have been shown as there were no dilutive potential ordinary shares outstanding in either year.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Machinery and equipment	Furniture and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE GROUP</b>						
COST OR VALUATION						
At April 1, 2000	7,300	23,748	176,132	10,214	3,040	220,434
Additions	—	152	1,928	900	—	2,980
Disposals	—	—	(425)	(138)	(200)	(763)
Deficit arising from revaluation	(300)	—	—	—	—	(300)
Disposal of subsidiaries	(7,000)	(21,960)	(165,538)	(7,717)	(754)	(202,969)
<b>At March 31, 2001</b>	<b>—</b>	<b>1,940</b>	<b>12,097</b>	<b>3,259</b>	<b>2,086</b>	<b>19,382</b>
DEPRECIATION AND AMORTISATION						
At April 1, 2000	112	15,230	77,678	4,943	2,542	100,505
Provided for the year	53	1,443	5,910	961	109	8,476
Eliminated on disposals	—	—	(238)	(75)	(200)	(513)
Eliminated on revaluation	(165)	—	—	—	—	(165)
Eliminated on disposal of subsidiaries	—	(15,462)	(76,979)	(3,985)	(569)	(96,995)
<b>At March 31, 2001</b>	<b>—</b>	<b>1,211</b>	<b>6,371</b>	<b>1,844</b>	<b>1,882</b>	<b>11,308</b>
NET BOOK VALUES						
<b>At March 31, 2001</b>	<b>—</b>	<b>729</b>	<b>5,726</b>	<b>1,415</b>	<b>204</b>	<b>8,074</b>
At March 31, 2000	7,188	8,518	98,454	5,271	498	119,929

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	<b>Leasehold improvements</b>	<b>Furniture and office equipment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>			
<b>COST</b>			
At April 1, 2000	124	83	207
Additions	—	7	7
	<hr/>	<hr/>	<hr/>
<b>At March 31, 2001</b>	<b>124</b>	<b>90</b>	<b>214</b>
<b>DEPRECIATION</b>			
At April 1, 2000	6	4	10
Provided for the year	25	17	42
	<hr/>	<hr/>	<hr/>
<b>At March 31, 2001</b>	<b>31</b>	<b>21</b>	<b>52</b>
<b>NET BOOK VALUES</b>			
<b>At March 31, 2001</b>	<b>93</b>	<b>69</b>	<b>162</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At March 31, 2000	118	79	197
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The leasehold land and buildings held by the Group at March 31, 2000 were situated in Hong Kong and were held under long term leases. The leasehold land and buildings were disposed of during the year. The remaining assets in property, plant and equipment are carrying at cost less accumulated depreciation.

At March 31, 2000, the net book value of furniture and office equipment held by the Group included an amount of approximately HK\$19,000 in respect of asset held under a finance lease.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 12. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares	—	—
Amounts due from subsidiaries	<u>22,037</u>	<u>22,343</u>
	<u><b>22,037</b></u>	<u><b>22,343</b></u>

Particulars of the principal subsidiaries of the Company as at March 31, 2001 are set out in note 34.

## 13. INVENTORIES

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Garments	35,485	31,308
Newsprint	<u>—</u>	<u>4,243</u>
	<u><b>35,485</b></u>	<u><b>35,551</b></u>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 14. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$19,110,000 (2000: HK\$50,525,000).

The aged analysis for trade receivables at the balance sheet date is as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>18,639</b>	21,420
Over 30 days but less than 60 days	<b>398</b>	14,138
Over 60 days but less than 90 days	<b>72</b>	6,996
Over 90 days	<b>1</b>	7,971
	<b><u>19,110</u></b>	<b><u>50,525</u></b>

Credit policy:

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale.

It is the policy of the Group to allow settlement on an open account basis only by customers who have good payment records and well-established relationships with the Group. The credit period for such customers is reviewed periodically in response to financial conditions, orders on hand and other credit information.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$24,630,000 (2000: HK\$35,979,000).

The aged analysis for trade payables at the balance sheet date is as follows:

	THE GROUP	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Within 90 days	24,630	34,385
Over 90 days but less than 180 days	—	1,594
	<u>24,630</u>	<u>35,979</u>

## 16. SECURED BANK BORROWINGS – DUE WITHIN ONE YEAR

	THE GROUP	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Trust receipts and import loans	—	3,665
Portion of bank loans due within one year	—	36,375
Bank overdrafts	—	548
	<u>—</u>	<u>40,588</u>

At March 31, 2000, the bank borrowings due within one year were secured by the pledge of assets as set out in note 31 and corporate guarantees granted by the ultimate holding company amounting to approximately HK\$6,230,000.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 17. OBLIGATIONS UNDER A FINANCE LEASE

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of the obligations under a finance lease are as follows:		
Within one year	—	11
In the second to fifth years inclusive	—	3
	—	14
<i>Less:</i> Amount due within one year included under current liabilities	—	11
Amount due after one year	<u>—</u>	<u>3</u>

## 18. SHARE CAPITAL

	Number of ordinary shares at par value of HK\$0.02 each	Value
		<i>HK\$'000</i>
<i>Authorised:</i>		
At April 1, 1999	5,000,000,000	100,000
Increase during the year	20,000,000,000	400,000
<b>At March 31, 2000 and 2001</b>	<b><u>25,000,000,000</u></b>	<b><u>500,000</u></b>



# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 18. SHARE CAPITAL *(continued)*

	Number of ordinary shares at par value of HK\$0.02 each	Value <u>HK\$'000</u>
Issued and fully paid:		
At April 1, 1999	2,606,527,497	52,131
Shares issued as a result of reorganisation	733,333,333	14,666
Shares issued as a result of loan capitalisation	<u>4,500,000,000</u>	<u>90,000</u>
At March 31, 2000	7,839,860,830	156,797
Shares issued as a result of loan capitalisation <i>(note)</i>	<u>700,000,000</u>	<u>14,000</u>
<b>At March 31, 2001</b>	<b><u>8,539,860,830</u></b>	<b><u>170,797</u></b>

*Note: At a special general meeting held on June 27, 2000, a loan capitalisation proposal was approved by the shareholders of the Company pursuant to which outstanding amounts of HK\$13,498,000 and HK\$502,000 due from the Company to Eastland Enterprises Inc. and Mr. Ling Tai Yuk, John, respectively, were capitalised in exchange for the subscription of 674,900,000 and 25,100,000 ordinary shares, respectively of HK\$0.02 each in the Company at a price of HK\$0.02 per share. These shares rank pari passu with the then existing shares in all respects.*

## 19. SHARE OPTIONS

The Company has a share option scheme under which the directors may grant options to employees of the Company or its subsidiaries, including directors of any of such companies, to subscribe for shares in the Company. The subscription price will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is higher. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option may be exercised at any time within ten years from the date of issue of the relevant options.

No share options have been granted since the adoption of this scheme.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 20. RESERVES

	Share premium	Leasehold land and building revaluation reserve	Contributed surplus	Capital redemption reserve	Capital reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>							
Balance at April 1, 1999	129,685	26,116	320,785	15	(1,462)	(521,224)	(46,085)
Premium arising from issue of shares	7,334	—	—	—	—	—	7,334
Deficit arising from revaluation	—	(10,444)	—	—	—	—	(10,444)
Depreciation attributable to revaluation surplus	—	(11)	—	—	—	11	—
Acquisition of subsidiaries	—	—	—	—	7,497	—	7,497
Transfer upon disposal	—	(10,897)	—	—	—	10,897	—
Loss attributable to shareholders	—	—	—	—	—	(84,979)	(84,979)
Balance at March 31, 2000	137,019	4,764	320,785	15	6,035	(595,295)	(126,677)
Deficit arising from revaluation	—	(135)	—	—	—	—	(135)
Depreciation attributable to revaluation surplus	—	(41)	—	—	—	41	—
Disposal of subsidiaries	—	(4,588)	—	—	1,868	4,588	1,868
Profit attributable to shareholders	—	—	—	—	—	3,169	3,169
<b>Balance at March 31, 2001</b>	<b>137,019</b>	<b>—</b>	<b>320,785</b>	<b>15</b>	<b>7,903</b>	<b>(587,497)</b>	<b>(121,775)</b>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 20. RESERVES *(continued)*

	Share premium	Leasehold land and building revaluation reserve	Contributed surplus	Capital redemption reserve	Capital reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE COMPANY</b>							
Balance at April 1, 1999	129,685	—	269,130	15	—	(447,052)	(48,222)
Premium arising from issue of shares	7,334	—	—	—	—	—	7,334
Loss for the year	—	—	—	—	—	(105,551)	(105,551)
Balance at March 31, 2000	137,019	—	269,130	15	—	(552,603)	(146,439)
Loss for the year	—	—	—	—	—	(2,336)	(2,336)
<b>Balance at March 31, 2001</b>	<b>137,019</b>	<b>—</b>	<b>269,130</b>	<b>15</b>	<b>—</b>	<b>(554,939)</b>	<b>(148,775)</b>

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation at May 25, 1993, less dividends paid and amounts utilised on redemption of shares.

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired at May 25, 1993, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, less dividends paid and amounts utilised on redemption of shares.

Under the company law in Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) 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.

The Company did not have any reserves available for distribution to shareholders as at March 31, 2001 and 2000.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 21. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to minority shareholders of subsidiaries:		
Interest bearing at 2% over Hong Kong prime interest rates	—	1,750
Non-interest bearing	—	2,139
	<u>—</u>	<u>3,889</u>

The amounts were unsecured and eliminated upon disposal of the relevant subsidiaries during the year.

## 22. AMOUNT DUE TO A RELATED COMPANY

### THE GROUP AND THE COMPANY

The amount was unsecured, bore interest calculated at 2% over Hong Kong prime interest rates and was eliminated upon disposal of the relevant subsidiary during the year.

## 23. DEFERRED TAXATION

	THE GROUP				THE COMPANY	
	Provided		Unprovided		Unprovided	
	2001	2000	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the year	1,346	370	(68,786)	(74,534)	(2,132)	(558)
Arising from acquisition of subsidiaries	—	1,133	—	—	—	—
Eliminated upon disposal of subsidiaries	(370)	—	66,800	—	—	—
Movements for the year	89	(157)	(246)	5,748	(100)	(1,574)
Balance at the end of the year	<u>1,065</u>	<u>1,346</u>	<u>(2,232)</u>	<u>(68,786)</u>	<u>(2,232)</u>	<u>(2,132)</u>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 23. DEFERRED TAXATION *(continued)*

At the balance sheet date, the major components of the Group's net deferred taxation liability (asset), provided and unprovided, in the financial statements are analysed as follows:

	THE GROUP				THE COMPANY	
	Provided		Unprovided		Unprovided	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect on timing differences in respect of:						
Excess of depreciation allowance over depreciation expenses	1,065	1,626	7	11,509	7	8
Tax losses	—	(280)	(2,239)	(80,295)	(2,239)	(2,140)
Net deferred taxation liability (asset)	<u>1,065</u>	<u>1,346</u>	<u>(2,232)</u>	<u>(68,786)</u>	<u>(2,232)</u>	<u>(2,132)</u>

The major components of the Group's net deferred taxation charge (credit), provided and unprovided, for the year are analysed as follows:

	THE GROUP				THE COMPANY	
	Provided		Unprovided		Unprovided	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect on timing differences in respect of:						
Excess (shortfall) of depreciation allowances over depreciation expenses	89	(157)	(147)	(6,182)	(1)	8
Tax losses	—	—	(99)	11,930	(99)	(1,582)
Net deferred taxation charge (credit)	<u>89</u>	<u>(157)</u>	<u>(246)</u>	<u>5,748</u>	<u>(100)</u>	<u>(1,574)</u>

The net deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will crystallise in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 24. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation	5,739	(86,641)
Share of results of associates	192	—
Depreciation and amortisation	8,476	25,275
Loss on disposal of property, plant and equipment	67	15,281
Impairment loss arising on machinery and equipment	—	20,886
Deficit arising from revaluation of leasehold land and buildings	—	22,909
Loss (gain) on disposal of discontinued operations	334	(19,518)
Interest on bank and other borrowings	3,266	20,887
Interest income	(250)	(91)
Increase in inventories	(4,392)	(5,353)
(Increase) decrease in trade and other receivables	(2,865)	9,708
Increase in trade and other payables	12,950	29,419
	<u>23,517</u>	<u>32,762</u>
Net cash inflow from operating activities	<u>23,517</u>	<u>32,762</u>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 25. DISPOSAL OF SUBSIDIARIES

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	105,974	62,213
Interests in associates	68	—
Investment properties	—	2,300
Inventories	4,458	—
Trade and other receivables	36,816	668
Marketable securities	—	86
Bank balances and cash	6,804	5,246
Trade and other payables	(36,740)	(3,676)
Taxation	(3,191)	—
Obligations under a finance lease	(11)	—
Bank overdraft	(23)	—
Other bank borrowings	(85,273)	(14,980)
Amount due to minority shareholders of subsidiaries	(3,937)	(17,244)
Minority interests	2,127	—
Deferred taxation	(370)	—
	<u>26,702</u>	<u>34,613</u>
Goodwill	1,868	—
	<u>28,570</u>	<u>34,613</u>
(Loss) gain on disposal of subsidiaries	(334)	19,518
	<u><u>28,236</u></u>	<u><u>54,131</u></u>
Satisfied by:		
Cash	28,236	350
Loan consideration	—	53,781
	<u><u>28,236</u></u>	<u><u>54,131</u></u>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 25. DISPOSAL OF SUBSIDIARIES *(continued)*

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow arising on disposal:		
Cash consideration	28,236	350
Bank balances and cash disposal of	(6,804)	(5,246)
Bank overdraft disposed of	<u>23</u>	<u>—</u>
Net inflow (outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>21,455</u></u>	<u><u>(4,896)</u></u>

The subsidiaries disposed of during the year contributed approximately HK\$9,778,000 (2000: HK\$77,232,000) to the Group's net operating cash flows, paid HK\$1,092,000 (2000: HK\$9,723,000) in respect of the net returns on investment and servicing of finance, and utilised approximately HK\$459,000 (2000: Nil) and HK\$6,316,000 (2000: HK\$83,951,000) in respect of investing and financing activities, respectively.



# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

	Share capital and premium	Amount due to ultimate holding company	Bank loans	Trust receipts and import loans	Amount due to a fellow subsidiary	Obligations under a finance lease	Amount due to a related company	Amounts due to minority shareholders of subsidiaries
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at April 1, 1999	181,816	—	62,609	5,388	204,542	—	—	21,133
Loan capitalisation	90,000	—	—	—	(90,000)	—	—	—
Interest accrued	—	16,015	—	—	1,051	—	—	—
Issue on acquisition of subsidiaries	22,000	—	—	—	—	—	—	—
Advances obtained during the year	—	—	—	18,220	—	21	91,224	—
Repayments during the year	—	(16,015)	(11,254)	(19,943)	(61,812)	(7)	—	—
Consideration for disposal of certain subsidiaries	—	—	—	—	(53,781)	—	—	—
Disposal of subsidiaries	—	—	(14,980)	—	—	—	—	(17,244)
Balance at March 31, 2000	293,816	—	36,375	3,665	—	14	91,224	3,889
Loan capitalisation	14,000	—	—	—	—	—	(14,000)	—
Interest accrued	—	—	—	—	—	—	1,535	—
Advances obtained during the year	—	—	46,000	41,836	—	—	—	48
Repayments during the year	—	—	(3,051)	(39,552)	—	(3)	(78,759)	—
Disposal of subsidiaries	—	—	(79,324)	(5,949)	—	(11)	—	(3,937)
<b>Balance at March 31, 2001</b>	<b>307,816</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances and cash	21,220	15,264
Bank overdrafts	—	(548)
	<u>21,220</u>	<u>14,716</u>

## 28. MAJOR NON CASH TRANSACTIONS

During the year, 700,000,000 (2000: 4,500,000,000) ordinary shares of HK\$0.02 each were issued by the Company at a price of HK\$0.02 (2000: HK\$0.02). The consideration was satisfied by the capitalisation of loans, in aggregate, amounting to approximately HK\$14 million (2000: HK\$90 million).

## 29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the following commitments payable within the next year under non-cancellable operating leases in respect of rented premises:

	<u>THE GROUP</u>	
	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating leases which expire:		
Within one year	496	282
In the second to fifth years inclusive	—	6,769
	<u>496</u>	<u>7,051</u>

The Company had no significant operating lease commitments at the balance sheet date.

## 30. CONTINGENT LIABILITIES

At March 31, 2001, the Company had given corporate guarantees of HK\$20,000,000 (2000: HK\$37,500,000) to secure general banking facilities granted to a subsidiary. The amount utilised by the subsidiary amounted to approximately HK\$665,000 (2000: HK\$14,471,000).

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 31. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's assets were pledged to secure general banking facilities granted to the Group. The net book values of these assets at the balance sheet date were as follows:

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and buildings	—	7,188
Machinery and equipment	—	64,203
Bank deposits	—	1,230
	<u>—</u>	<u>72,621</u>

## 32. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 6, 16 and 18, the Group also had the following transactions with related parties during the year:

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental charges paid to related companies	1,940	5,113
Publishing and provision of related services to related companies	837	3,290
Management fee paid to a related company	—	603
Secretarial fee paid to a related company	—	390
	<u>—</u>	<u>390</u>

These transactions were carried out after negotiations between the Group and the related parties and on the basis of estimated market value as determined by the directors of the Company.

In addition, the Company disposed of the Island Gold Group to a related company for a consideration of approximately HK\$28,236,000 (*note 25*).

*Note: Certain directors and substantial shareholders of the Company have beneficiary interests in the related companies.*

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 33. POST BALANCE SHEET EVENT

The directors passed a resolution, in a meeting of the Board of Directors held on June 27, 2001, to submit to the shareholders, in the Annual General Meeting scheduled for August 3, 2001, a proposed plan for capital reorganisation involving the reduction of the Company's share premium account and transfer thereof to the contributed surplus, the consolidation of existing issued and unissued ordinary shares ("Consolidated Share(s)"), cancellation of paid-up-capital of the Consolidated Shares and the transfer of the resulting credit to the contributed surplus, the application of contributed surplus to offset the accumulated deficit and the subdivision of each unissued Consolidated Share.

## 34. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at March 31, 2001 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Nominal value of issued ordinary share capital *</u>	<u>Proportion of nominal value of issued capital held by the Company</u>	<u>Principal activities</u>
<b><u>Directly held</u></b>				
High Dragon Limited	British Virgin Islands	US\$1	100	Investment holding
Windstar Pacific Limited	British Virgin Islands	US\$1	100	Investment holding
<b><u>Indirectly held</u></b>				
Koniko Company Limited	Hong Kong	HK\$20 Deferred ** non-voting shares HK\$22,143,000	100	Garment manufacture and trading
Orrabi Industries Limited	Hong Kong	HK\$20 Deferred ** non-voting shares HK\$8,500,000	100	Garment manufacture and trading

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 34. SUBSIDIARIES *(continued)*

\* *All are ordinary shares unless otherwise stated.*

\*\* *None of the deferred non-voting shares are held by the Group. The non-voting deferred shares, which are not held by the Company, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.*

All subsidiaries carry on their business in Hong Kong.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.