
NOTES ON THE ACCOUNTS

For the year ended 31st March, 2001

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st March each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (ii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is taken directly to reserves in the year of acquisition. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill or capital reserve which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

- (iii) The consolidated accounts include the Group's share of post-acquisition results of associates for the year. Where the associate has a financial year end other than 31st March and its results are not material to the Group, its latest audited accounts made up to 31st December are used for equity accounting purposes. In the consolidated balance sheet, investments in associates are stated at the Group's share of their net assets.

(d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associate for the year. Goodwill arising on the acquisition of an associate, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired is taken directly to reserves in the year of acquisition. The excess of the Group's share of the fair value of the separable net assets acquired over the cost of the investment is credited directly to reserves.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

On disposal of an associate during the year, any attributable amount of purchased goodwill or capital reserve which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

The results of the associates are included in the Company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established before the accounts of the Company are approved by the directors. In the Company's balance sheet, its investments in associates are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each associate individually. Any such provisions are recognised as an expense in the profit and loss account.

(f) Non-trading securities

The Group's and the Company's policies for investments in non-trading securities other than investments in subsidiaries and associates are as follows:

- (i) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.
- (ii) Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Non-trading securities *(Continued)*

- (iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise. The profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

(g) Other investments

Other investments represent club debentures and are stated in the balance sheet at cost less any provisions for diminution in value as determined by the directors.

(h) Fixed assets

- (i) Fixed assets are carried in the balance sheets on the following bases:

- investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;
- land and buildings held for own use are stated in the balance sheet at cost or valuation less accumulated depreciation.

In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 72 of the Statement of Standard Accounting Practice 17 “Property, plant and equipment” issued by the Hong Kong Society of Accountants, with the effect that land and buildings have not been revalued to fair value at the balance sheet date. Such properties are stated at their carrying value and will not be revalued in future years; and

- plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation.
- (ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:
- when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and
 - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of that same asset, or solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Fixed assets *(Continued)*

- (iii) The carrying amount of fixed assets (other than investment properties with an unexpired lease term of more than 20 years) is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account except to the extent it relates to land and buildings in which case it is dealt with in accordance with (ii) above. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account, except to the extent it relates to land and buildings in which case it is dealt with in accordance with (ii) above. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

- (iv) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(i) Amortisation and depreciation

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.
- (ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:
- leasehold land is depreciated on a straight-line basis over the remaining term of the lease;
 - land use rights are included under land and buildings and are amortised on a straight-line basis over a period of 50 years;
 - buildings are depreciated on a straight-line basis over their estimated useful lives of 10 to 40 years; and
 - other fixed assets are depreciated on a straight-line basis over the estimated useful lives as follows:

Plant and machinery	2.5% to 20% per annum
Other fixed assets	20% to 30% per annum

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Construction in progress

Construction in progress is stated at cost, including interest capitalised if appropriate, less provision as is considered necessary by the directors.

(k) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(l)(ii) below.

(ii) Operating lease charges

Rental payable under operating leases are accounted for in the profit and loss account on a straight-line basis over the periods of the respective leases.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term.

(iii) Dividends

– Dividend income from unlisted investments other than associates is recognised when the shareholder's right to receive payment is established. This is taken to be, for interim dividends, when the directors of such investments declare such dividends and for final dividends, when the shareholders of such investments at the general meeting approve the dividends proposed by the directors.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

– Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred directly in bringing the inventories to their present location and conditions.

Net realisable value is 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Quota

Cost of acquisition of permanent quota is amortised on a straight-line basis over a period of three to five years.

Income and expense on temporary transfers of quota are dealt with in the profit and loss account as they arise.

(o) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results and balance sheet items of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting exchange differences are dealt with as movements in reserves.

(q) Pre-operating costs

Pre-operating costs are written off in the profit and loss account as and when incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Retirement costs

Retirement costs are charged to the profit and loss account as and when incurred. Particulars of the retirement scheme are set out in note 12 on the accounts.

(s) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

2 TURNOVER

The principal activities of the Company are the manufacture and sale of garments and rental of properties. The principal activities and other particulars of the subsidiaries are set out on page 54.

Turnover represents the sales value of goods supplied to customers and rental income from external customers, including associates, are analysed as follows:

	2001 \$'000	2000 \$'000
Manufacture and sale of garments	1,238,408	1,097,689
Property rental	<u>5,271</u>	<u>6,236</u>
	<u><u>1,243,679</u></u>	<u><u>1,103,925</u></u>

3 SEGMENTAL INFORMATION

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are as follows:

	Group turnover		Contribution to profit from operations	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
(a) Principal activities				
Manufacture and sale of garments	1,238,408	1,097,689	63,483	56,090
Property rental	<u>5,271</u>	<u>6,236</u>	<u>4,305</u>	<u>5,231</u>
	<u><u>1,243,679</u></u>	<u><u>1,103,925</u></u>	<u><u>67,788</u></u>	<u><u>61,321</u></u>

(b) Geographical locations of operations

	Group turnover	
	2001 \$'000	2000 \$'000
Europe		
– United Kingdom	271,612	238,177
– Germany	143,134	93,562
– Other European countries	<u>337,951</u>	<u>333,934</u>
	752,697	665,673
North America	282,492	178,834
Asia Pacific	180,545	217,402
Others	<u>27,945</u>	<u>42,016</u>
	<u><u>1,243,679</u></u>	<u><u>1,103,925</u></u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

3 SEGMENTAL INFORMATION *(Continued)*

(b) Geographical locations of operations *(Continued)*

The contribution to profit from operations by geographical location is not presented as the contribution from each geographical location as a proportion of turnover from that location is in line with the overall ratio of profit to turnover achieved by the Group.

4 INCOME

	2001 \$'000	2000 \$'000
Other revenue		
Bad debts recovered	–	722
Commission income and handling charges	9,120	14,887
Dividend income from unlisted equity securities	342	307
Interest income	1,736	1,103
Management fee income	1,439	1,916
Sundry income	3,512	1,764
Input VAT refund	–	426
	<u>16,149</u>	<u>21,125</u>
Other net income		
Net loss on disposal of fixed assets	(347)	(929)
Net gain on disposal of quota	19,150	11,152
Net exchange gain	1,191	1,293
Net claims received	2,592	15
Net (loss)/profit on sale of raw materials	(601)	1,124
Net realised (losses)/gains on disposal of non-trading securities	<u>(110)</u>	<u>332</u>
	<u>21,875</u>	<u>12,987</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2001 \$'000	2000 \$'000
(a) Finance cost:		
Interest on bank loans repayable within five years	<u>23,935</u>	<u>23,461</u>
(b) Non-operating expenses:		
Write-off of preliminary expenses	-	(3,534)
Provision for diminution in value of non-trading securities (<i>note 18</i>)	-	(3,396)
Write-off of cost of investment in subsidiaries under liquidation, net	<u>-</u>	<u>(4,935)</u>
	<u>-</u>	<u>(11,865)</u>
(c) Other items:		
Amortisation of permanent quota	1,669	-
Auditors' remuneration	1,768	1,206
Cost of inventories*	1,036,000	924,288
Depreciation	28,333	21,230
Operating lease charges – property rentals	2,682	1,854
Provision for long service payments	12	270
Retirement fund contribution	2,822	2,194
Staff costs	180,509	160,038
Rental receivable from investment properties less direct outgoings of \$966,000 (2000: \$1,005,000)	(4,305)	(5,231)
Decline in carrying value of land and building	<u>6,377</u>	<u>-</u>

* Cost of inventories includes \$115,414,000 (2000: \$119,154,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these type of expenses.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

6 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	2001 \$'000	2000 \$'000
Provision for Hong Kong Profits Tax for the year	5,768	1,149
Overprovision in respect of prior years	(5)	–
	5,763	1,149
Overseas taxation	631	830
	6,394	1,979
Share of associates' taxation	6,443	6,832
	12,837	8,811

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year ended 31st March, 2001. Taxations for overseas subsidiaries and branch are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Taxation in the balance sheets represents:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Provision for Hong Kong Profits Tax for the year	5,768	1,149	2,500	–
Provisional Profits Tax paid	(1,285)	(570)	(344)	–
Provision for overseas subsidiaries and branch				
– current year	943	807	868	820
– prior year	497	100	35	–
	5,923	1,486	3,059	820
Net tax payable	5,923	1,486	3,059	820
Representing:				
Tax recoverable	(121)	(281)	–	–
Tax payable	6,044	1,767	3,059	820
	5,923	1,486	3,059	820

(c) No provision for deferred taxation has been made as the net effect of all timing differences is immaterial.

(d) No provision for deferred taxation has been made in respect of the revaluation surpluses arising on investment and other properties as the disposal of these assets at their carrying values would result in capital gains which the directors consider are not subject to any tax liability.

Notes on the Accounts (Continued)

For the year ended 31st March, 2001

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2001 \$'000	2000 \$'000
Fees	400	462
Salaries and other emoluments	7,352	7,064
Discretionary bonuses	3,465	3,325
	<u>11,217</u>	<u>10,851</u>

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Arrangement to purchase shares" in the Report of the Directors.

The remuneration of the directors is within the following bands:

	Number of directors	
	2001	2000
\$Nil - \$1,000,000	8	10
\$1,500,001 - \$2,000,000	-	-
\$2,000,001 - \$2,500,000	3	3
\$2,500,001 - \$3,000,000	-	-
\$3,000,001 - \$3,500,000	1	1
	<u>12</u>	<u>14</u>

Included in the directors' fees were fees of \$100,000 (2000: \$100,000) paid to independent non-executive directors during the year.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2000: four) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the remaining individual are as follows:

	2001 \$'000	2000 \$'000
Salaries and other emoluments	<u>1,522</u>	<u>1,574</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of \$30,157,000 (2000: \$21,480,000) which has been dealt with in the accounts of the Company.

10 DIVIDENDS

	2001 \$'000	2000 \$'000
Interim dividend paid of \$0.03 (2000: \$0.02 per share)	4,230	2,824
Final dividend proposed of \$0.10 (2000: \$0.10 per share)	<u>14,025</u>	<u>14,112</u>
	<u><u>18,255</u></u>	<u><u>16,936</u></u>

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$47,968,000 (2000: \$47,334,000) and on the weighted average of 140,980,685 shares (2000: 141,187,504 shares) in issue during the year.

(b) Diluted earnings per share

Full exercise of the subscription rights of share options granted would not result in a dilution of the earnings per share.

12 RETIREMENT BENEFITS SCHEME

Prior to the introduction of the Mandatory Provident Fund ("MPF") on 1st December, 2000, the Company and certain of its Hong Kong subsidiaries operated a defined contribution retirement scheme for all qualified employees. The assets of the scheme were held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the scheme, the employer was required to make contributions to the scheme calculated at 5% to 7.5% of the employees' basic salaries on a monthly basis, whereas the employees' contributions to the scheme were optional, at their own discretion. On 1st December, 2000, the assets of the scheme were transferred to the MPF.

The employees are entitled to 100% of the employer's contributions made prior to the introduction of the MPF and the accrued interest after 10 complete years of service, or at an increasing scale of between 30% to 90% after completion of 3 to 9 years of service. Where there are employees who leave prior to vesting fully in the contributions, the forfeited employer's contributions shall be used to reduce the future contributions of the employer or refunded to the employer. The amount of employer's contributions forfeited during the year was immaterial.

In addition, the Group has maintained a provision for long service payments for employees of the Group in accordance with part VB of the Employment Ordinance (see note 26).

The employees of the subsidiary in the People's Republic of China ("PRC") are members of the state-sponsored retirement benefit scheme organised by the government in the PRC. The subsidiary is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

13 FIXED ASSETS

(a) The Group

	Land and buildings \$'000	Investment properties \$'000	Plant and machinery \$'000	Other fixed assets \$'000	Total \$'000
Cost or valuation:					
At 1st April, 2000	140,071	37,796	137,382	79,230	394,479
Exchange adjustments	(1,635)	–	(529)	(462)	(2,626)
Reclassification	(9,146)	–	–	9,146	–
Transfer from construction in progress (<i>note 14</i>)	2,972	–	–	601	3,573
Additions	11,190	–	24,279	10,316	45,785
Disposals	–	–	(2,303)	(737)	(3,040)
Fully depreciated assets	–	–	–	(1,701)	(1,701)
At 31st March, 2001	<u>143,452</u>	<u>37,796</u>	<u>158,829</u>	<u>96,393</u>	<u>436,470</u>
Representing:					
Cost	62,508	–	158,829	96,393	317,730
Valuation – 1988	77,152	–	–	–	77,152
– 1991	3,792	–	–	–	3,792
– 2001	–	37,796	–	–	37,796
	<u>143,452</u>	<u>37,796</u>	<u>158,829</u>	<u>96,393</u>	<u>436,470</u>
Aggregate amortisation and depreciation:					
At 1st April, 2000	33,595	–	76,459	71,013	181,067
Reclassification	(5,086)	–	–	5,086	–
Exchange adjustments	(146)	–	(263)	(372)	(781)
Charge for the year	3,386	–	17,132	7,815	28,333
Written back on disposal	–	–	(694)	(118)	(812)
Fully depreciated assets	–	–	–	(1,701)	(1,701)
Decline in carrying value (<i>note (g)</i>)	6,377	–	–	–	6,377
At 31st March, 2001	<u>38,126</u>	<u>–</u>	<u>92,634</u>	<u>81,723</u>	<u>212,483</u>
Net book value:					
At 31st March, 2001	<u>105,326</u>	<u>37,796</u>	<u>66,195</u>	<u>14,670</u>	<u>223,987</u>
At 31st March, 2000	<u>106,476</u>	<u>37,796</u>	<u>60,923</u>	<u>8,217</u>	<u>213,412</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

13 FIXED ASSETS *(Continued)*

(b) The Company

	Land and buildings \$'000	Investment properties \$'000	Plant and machinery \$'000	Other fixed assets \$'000	Total \$'000
Cost or valuation:					
At 1st April, 2000	80,944	37,796	30,627	57,334	206,701
Additions	–	–	1,118	3,899	5,017
Disposals	–	–	(321)	(127)	(448)
	80,944	37,796	31,424	61,106	211,270
At 31st March, 2001	80,944	37,796	31,424	61,106	211,270
Representing:					
Cost	–	–	31,424	61,106	92,530
Valuation – 1988	77,152	–	–	–	77,152
– 1991	3,792	–	–	–	3,792
– 2001	–	37,796	–	–	37,796
	80,944	37,796	31,424	61,106	211,270
Aggregate amortisation and depreciation:					
At 1st April, 2000	13,042	–	25,479	54,008	92,529
Charge for the year	1,757	–	1,567	3,042	6,366
Written back on disposal	–	–	(295)	(118)	(413)
	14,799	–	26,751	56,932	98,482
At 31st March, 2001	14,799	–	26,751	56,932	98,482
Net book value:					
At 31st March, 2001	66,145	37,796	4,673	4,174	112,788
At 31st March, 2000	67,902	37,796	5,148	3,326	114,172

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

13 FIXED ASSETS *(Continued)*

- (c) The analysis of net book value of land and buildings and investment properties at 31st March, 2001 is as follows:

	Land and buildings				Investment properties	
	The Group		The Company		The Group and the Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Long term leases						
– outside Hong Kong	24,617	18,790	1,310	1,310	–	–
Medium term leases						
– in Hong Kong	42,911	44,340	42,911	44,340	37,796	37,796
– outside Hong Kong	14,204	19,214	–	–	–	–
Freehold						
– outside Hong Kong	23,594	24,132	21,924	22,252	–	–
	<u>105,326</u>	<u>106,476</u>	<u>66,145</u>	<u>67,902</u>	<u>37,796</u>	<u>37,796</u>

- (d) The net book value of the land and buildings stated at valuation in the balance sheets would have been as follows had the assets been carried at cost less accumulated depreciation:

	The Group and The Company	
	2001 \$'000	2000 \$'000
Cost	37,135	37,135
Accumulated depreciation	<u>(11,242)</u>	<u>(10,320)</u>
	<u>25,893</u>	<u>26,815</u>

- (e) Land and buildings of the Group and the Company include \$1,310,000 (2000: \$1,310,000) relating to a piece of land in Macau held for development. Pursuant to an agreement signed between the Company and an independent property developer dated 3rd November, 1998, the Company agreed to contribute the land for property development and the Company will be entitled to 53.5% of net operating results upon the completion of the property development.
- (f) Details of the Group's and the Company's investment properties, which are all held under medium term leases, are as follows:

<i>Location</i>	<i>Existing use</i>
22 and 24, Tai Yau Street, San Po Kong, Kowloon	Warehouse and office

The investment properties of the Group and the Company were valued at 31st March, 2001 by an independent firm of surveyors, Chesterton Petty Limited, on an open market basis.

- (g) Based on a review of the carrying value of land and buildings performed by the directors, the carrying value of the land and building held by a subsidiary has been written down by \$6,377,000 in order to reflect its estimated recoverable value.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

14 CONSTRUCTION IN PROGRESS

	The Group	
	2001 \$'000	2000 \$'000
At 1st April	3,568	631
Exchange adjustments	5	–
Costs incurred during the year	–	2,971
Transfer to fixed assets (<i>note 13</i>)	(3,573)	(34)
	<u>–</u>	<u>3,568</u>
At 31st March	<u>–</u>	<u>3,568</u>

15 INTEREST IN SUBSIDIARIES

	The Group	
	2001 \$'000	2000 \$'000
Unlisted investments, at cost	22,656	22,656
Amounts due from subsidiaries	246,333	206,118
	<u>268,989</u>	<u>228,774</u>
Amounts due to subsidiaries	(22,251)	(9,812)
	<u>246,738</u>	<u>218,962</u>
Less: Provision	(28,673)	(28,673)
	<u>218,065</u>	<u>190,289</u>

Details of the principal subsidiaries are set out on page 54.

16 INTEREST IN ASSOCIATES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unlisted investments, at cost	–	–	52,783	52,783
Less: Provision	–	–	(26,832)	(18,832)
	<u>–</u>	<u>–</u>	<u>25,951</u>	<u>33,951</u>
Share of net assets	169,936	186,224	–	–
	<u>169,936</u>	<u>186,224</u>	<u>25,951</u>	<u>33,951</u>

Details of the principal associates are set out on page 55.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

16 INTEREST IN ASSOCIATES *(Continued)*

Information on material associates

The financial information of the associates, Qinghai Changqing Aluminium Corporation and Wuxi Changxin Textile Co., Ltd which are material in the context of the Group's accounts, as extracted from the audited accounts for the year ended 31st March, 2001 are summarised below.

	Qinghai Changqing Aluminium Corporation		Wuxi Changxin Textile Co., Ltd	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Profit and loss account				
– year ended 31st March				
Turnover	418,790	238,006	650,556	551,970
Cost of sales	<u>(371,183)</u>	<u>(189,193)</u>	<u>(558,758)</u>	<u>(452,286)</u>
	47,607	48,813	91,798	99,684
Other revenue	2,979	983	1,237	3,498
Other net (expenses)/income	(438)	963	–	–
Distribution costs	(1,834)	(2,021)	(1,808)	(1,521)
Administrative expenses	(4,100)	(3,496)	(26,840)	(15,847)
Other operating expenses	<u>(3,152)</u>	<u>(8,820)</u>	<u>(1,516)</u>	<u>(4,494)</u>
Profit from operations	41,062	36,422	62,871	81,320
Finance cost	<u>(14,119)</u>	<u>(8,997)</u>	<u>(10,147)</u>	<u>(6,939)</u>
Profit from ordinary activities before taxation	26,943	27,425	52,724	74,381
Taxation	<u>(2,699)</u>	<u>(1)</u>	<u>(14,233)</u>	<u>(18,577)</u>
Profit from ordinary activities after taxation	<u>24,244</u>	<u>27,424</u>	<u>38,491</u>	<u>55,804</u>
Profit attributable to the Group	<u>8,711</u>	<u>9,853</u>	<u>12,829</u>	<u>18,599</u>
Balance sheet – 31st March				
Non-current assets	333,533	354,986	233,028	179,157
Current assets	201,727	180,769	298,393	183,525
Current liabilities	(248,899)	(258,692)	(353,176)	(194,674)
Non-current liabilities	<u>(101,671)</u>	<u>(100,000)</u>	<u>(56,075)</u>	<u>–</u>
Net assets	<u>184,690</u>	<u>177,063</u>	<u>122,170</u>	<u>168,008</u>
Net assets attributable to the Group	<u>66,359</u>	<u>63,619</u>	<u>40,719</u>	<u>55,997</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

17 PERMANENT QUOTA

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Permanent quota, at cost	13,144	12,981	9,002	9,002
Less: Amortisation	(12,485)	(10,816)	(9,002)	(9,002)
	<u>659</u>	<u>2,165</u>	<u>-</u>	<u>-</u>

18 NON-TRADING SECURITIES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unlisted equity securities	1,406	5,032	1,406	1,233
Listed equity securities outside Hong Kong	268	452	268	452
	<u>1,674</u>	<u>5,484</u>	<u>1,674</u>	<u>1,685</u>
Less: Provision	-	(3,396)	-	-
	<u>1,674</u>	<u>2,088</u>	<u>1,674</u>	<u>1,685</u>
Market value of listed equity securities	<u>268</u>	<u>452</u>	<u>268</u>	<u>452</u>

19 OTHER INVESTMENTS

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Club debentures, at cost	<u>2,384</u>	<u>2,384</u>	<u>2,384</u>	<u>2,384</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

20 INVENTORIES

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Raw materials	20,936	19,244	8,658	15,418
Work in progress	49,518	39,036	17,797	20,686
Finished goods	7,942	12,482	2,211	3,719
Goods in transit	15,810	5,976	92	137
	<u>94,206</u>	<u>76,738</u>	<u>28,758</u>	<u>39,960</u>

The amounts included the Group's and the Company's inventories of \$13,930,000 (2000: \$4,595,000) and \$6,372,000 (2000: \$5,868,000), stated net of a specific provision of \$20,304,000 (2000: \$17,101,000) and \$9,243,000 (2000: \$10,610,000) respectively. In addition, there is a general provision made against the remaining inventories of the Group and the Company of \$16,004,000 (2000: \$14,503,000) and \$4,247,000 (2000: \$3,852,000) respectively. These provisions were made in order to state these inventories at the lower of their cost and estimated net realisable value. The amount of reversal of a write-down of inventories to estimated net realisable value, recognised in the consolidated profit and loss account as a reduction in the amount of inventories recognised as an expense during the year, is \$4,535,000 (2000: \$9,019,000). This reversal arose due to an increase in the estimated net realisable value of certain garments as a result of a change in consumer preferences.

21 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Trade debtors	57,676	38,237	15,353	3,456
Deposits, prepayments and other debtors	33,816	12,042	11,059	7,029
Bills receivable	70,181	53,561	62,432	45,662
Amounts due from related companies	5,394	4,931	199	1,626
Amounts due from associates	1,834	7,709	995	1,565
Dividends receivable from subsidiaries	–	–	–	7,400
Dividends receivable from associates	33,929	3,713	–	–
	<u>202,830</u>	<u>120,193</u>	<u>90,038</u>	<u>66,738</u>

The amounts due from related companies and associates are unsecured, interest-free and repayable on demand.

All of the trade and other receivables, apart from the rental and utility deposits amounting to \$243,000 (2000: \$208,000), are expected to be recovered within one year.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

21 TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivables are trade debtors and bills receivable (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
0 – 60 days	92,580	83,306	60,430	43,033
61 – 90 days	7,072	2,937	2,603	5,727
> 90 days	28,205	5,555	14,752	358
	<u>127,857</u>	<u>91,798</u>	<u>77,785</u>	<u>49,118</u>
Trade debtors and bills receivable	<u>127,857</u>	<u>91,798</u>	<u>77,785</u>	<u>49,118</u>

The credit terms given to trade debtors vary and are generally based on the financial strengths of individual debtors. In order to effectively manage the credit risks associated with trade debtors, credit evaluation of debtors are performed periodically.

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Deposits with banks and other financial institutions	–	52,760	–	37,615
Cash at bank and in hand	28,977	33,453	7,344	12,208
	<u>28,977</u>	<u>86,213</u>	<u>7,344</u>	<u>49,823</u>

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Bills payable and trust receipt loans	85,809	94,272	52,718	49,695
Trade creditors	112,935	115,951	47,935	41,173
Accrued charges and other creditors	63,082	38,331	24,749	33,984
Amounts due to related companies	827	1,110	–	–
Amounts due to associates	6,393	9,101	58	432
	<u>269,046</u>	<u>258,765</u>	<u>125,460</u>	<u>125,284</u>

The amounts due to related companies and associates are unsecured, interest-free and repayable on demand.

All of the trade and other payables are expected to be settled within one year.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

23 TRADE AND OTHER PAYABLES *(Continued)*

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
0 – 60 days	75,829	75,632	37,573	29,431
61 – 90 days	5,580	12,876	1,039	1,532
> 90 days	31,526	27,443	9,323	10,210
Trade creditors	<u>112,935</u>	<u>115,951</u>	<u>47,935</u>	<u>41,173</u>

24 BANK LOANS AND OVERDRAFTS

At 31st March, 2001, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Within 1 year or on demand	39,389	54,557	6,000	23,363
After 1 year but within 2 years	24,653	30,267	10,000	17,522
After 2 years but within 5 years	9,840	19,250	–	–
	<u>34,493</u>	<u>49,517</u>	<u>10,000</u>	<u>17,522</u>
	<u>73,882</u>	<u>104,074</u>	<u>16,000</u>	<u>40,885</u>

At 31st March, 2001, the bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Bank overdrafts				
– secured	15,476	–	–	–
– unsecured	6	–	–	–
Bank loans				
– secured	1,659	22,824	–	–
– unsecured	56,741	81,250	16,000	40,885
	<u>73,882</u>	<u>104,074</u>	<u>16,000</u>	<u>40,885</u>

The secured bank loans and overdrafts of the Group as at 31st March, 2001 are secured by a floating charge over all the assets of a subsidiary.

The secured bank loans of the Group as at 31st March, 2000 were secured by a floating charge over all the assets of a subsidiary and certain bank deposits of another subsidiary.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

25 NON-CURRENT INTEREST-BEARING BANK LOANS

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Bank loans (<i>note 24</i>)				
– secured	1,493	–	–	–
– unsecured	33,000	49,517	10,000	17,522
	<u>34,493</u>	<u>49,517</u>	<u>10,000</u>	<u>17,522</u>

26 PROVISION FOR LONG SERVICE PAYMENTS

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
At 1st April	7,648	7,489	4,075	4,075
Add: Provision for the year	12	271	–	–
	<u>7,660</u>	<u>7,760</u>	<u>4,075</u>	<u>4,075</u>
Less: Payments during the year	(1,020)	(112)	(572)	–
At 31st March	<u>6,640</u>	<u>7,648</u>	<u>3,503</u>	<u>4,075</u>

The provision represents funds set aside to provide for non-contractual retirement payments and long service payments in accordance with Part VB of the Employment Ordinance for the employees of the Group.

27 SHARE CAPITAL

	2001		2000	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
Authorised:				
Ordinary shares of \$0.50 each	<u>200,000</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1st April	141,123	70,561	141,208	70,604
Shares repurchased during the year	(471)	(235)	(85)	(43)
At 31st March	<u>140,652</u>	<u>70,326</u>	<u>141,123</u>	<u>70,561</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

27 SHARE CAPITAL *(Continued)*

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid \$'000
April 2000	41,000	1.36	1.32	55
May 2000	76,000	1.12	1.12	85
February 2001	179,000	1.30	1.26	228
March 2001	175,000	1.28	1.24	221
	<u>471,000</u>			<u>589</u>

The above repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount of \$354,000 representing the premium on the aforesaid repurchases was charged against retained profits. In addition, pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of \$235,000 was transferred from the retained profits to the capital redemption reserve.

Pursuant to an ordinary resolution passed on 13th May, 1994, the directors authorised the grant of options at nominal consideration for an aggregate of 14,065,000 shares of \$0.50 each of the Company under the Company's share option scheme to certain directors and employees of the Company and its subsidiaries, at an exercise price of \$2 per share. The options are exercisable in the period from 1st October, 1994 to 31st December, 2001. No options were exercised during the year.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

28 RESERVES

(a) The Group

	Share premium \$'000	Capital redemption reserve \$'000	Exchange fluctuation reserve \$'000	Goodwill arising on consolidation \$'000	Investment revaluation reserve \$'000	Land and buildings revaluation reserve \$'000	Investment properties revaluation reserve \$'000	General reserve \$'000	Retained profits \$'000	Total \$'000
At 1st April, 1999	13,731	-	(9,093)	(45,987)	(1,091)	52,459	37,420	-	155,994	203,433
Goodwill released on excluding subsidiaries under liquidation	-	-	-	-	-	-	-	-	2,108	2,108
Share premium on repurchase of the Company's shares	(47)	-	-	-	-	-	-	-	-	(47)
Exchange differences on translation of accounts of overseas subsidiaries	-	-	(2,135)	-	-	-	-	-	-	(2,135)
Reclassification	-	-	-	-	-	462	(462)	-	-	-
Revaluation surplus/(deficit)	-	-	-	-	1,367	-	(7,177)	-	-	(5,810)
Profit for the year	-	-	-	-	-	-	-	-	47,334	47,334
Dividends	-	-	-	-	-	-	-	-	(16,936)	(16,936)
At 31st March, 2000	13,684	-	(11,228)	(45,987)	276	52,921	29,781	-	188,500	227,947
At 1st April, 2000	13,684	-	(11,228)	(45,987)	276	52,921	29,781	-	188,500	227,947
Reversal of share premium on repurchase of the Company's shares in 2000 charged to share premium account <i>(note (c))</i>	47	-	-	-	-	-	-	-	(47)	-
Capital reduction on repurchase of the Company's shares in 2000 <i>(note (c))</i>	-	43	-	-	-	-	-	-	(43)	-
Capital reduction on repurchase of the Company's share in 2001	-	235	-	-	-	-	-	-	(235)	-
Share premium on repurchase of the Company's shares in 2001	-	-	-	-	-	-	-	-	(354)	(354)
Exchange differences on translation of accounts of overseas subsidiaries	-	-	(1,232)	-	-	-	-	-	-	(1,232)
Revaluation deficit	-	-	-	-	(184)	-	-	-	-	(184)
Share of associate's revaluation surplus	-	-	-	-	-	-	1,892	-	-	1,892
Profit for the year	-	-	-	-	-	-	-	-	47,968	47,968
Dividends	-	-	-	-	-	-	-	-	(18,255)	(18,255)
Appropriation to general reserve	-	-	-	-	-	-	-	1,562	(1,562)	-
At 31st March, 2001	13,731	278	(12,460)	(45,987)	92	52,921	31,673	1,562	215,972	257,782

Included in the Group retained profits is a net loss of \$40,546,000 (2000: \$23,797,000) being the Group's share of accumulated losses less profits attributable to the associates.

In accordance with the relevant PRC laws applicable to wholly foreign owned enterprise, the PRC subsidiary is required to make, appropriations of at least 10% of its after-tax profit, determined under the relevant PRC accounting regulations to the general reserve. The general reserve can be used to make good losses and to convert into paid-up capital.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

28 RESERVES *(Continued)*

(b) The Company

	Share premium \$'000	Capital redemption reserve \$'000	Investment revaluation reserve \$'000	Land and buildings revaluation reserve \$'000	Investment properties revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1st April, 1999	13,731	-	(1,091)	52,459	37,665	141,814	244,578
Share premium on repurchase of the Company's shares	(47)	-	-	-	-	-	(47)
Reclassification	-	-	-	462	(462)	-	-
Revaluation surplus/(deficit)	-	-	1,367	-	(7,177)	-	(5,810)
Profit for the year	-	-	-	-	-	21,480	21,480
Dividends	-	-	-	-	-	(16,936)	(16,936)
	<u>13,684</u>	<u>-</u>	<u>276</u>	<u>52,921</u>	<u>30,026</u>	<u>146,358</u>	<u>243,265</u>
At 31st March, 2000	<u>13,684</u>	<u>-</u>	<u>276</u>	<u>52,921</u>	<u>30,026</u>	<u>146,358</u>	<u>243,265</u>
At 1st April, 2000	13,684	-	276	52,921	30,026	146,358	243,265
Reversal of share premium on repurchase of the Company's share in 2000 charged to share premium account <i>(note (c))</i>	47	-	-	-	-	(47)	-
Capital reduction on repurchase of the Company's shares in 2000 <i>(note c)</i>	-	43	-	-	-	(43)	-
Capital reduction on repurchase of the Company's shares in 2001	-	235	-	-	-	(235)	-
Share premium on repurchase of the Company's shares in 2001	-	-	-	-	-	(354)	(354)
Revaluation deficit	-	-	(184)	-	-	-	(184)
Profit for the year	-	-	-	-	-	30,157	30,157
Dividends	-	-	-	-	-	(18,255)	(18,255)
	<u>13,731</u>	<u>278</u>	<u>92</u>	<u>52,921</u>	<u>30,026</u>	<u>157,581</u>	<u>254,629</u>
At 31st March, 2001	<u>13,731</u>	<u>278</u>	<u>92</u>	<u>52,921</u>	<u>30,026</u>	<u>157,581</u>	<u>254,629</u>

The revaluation reserves in respect of investments, investment properties and land and buildings are not available for distribution to shareholders because they do not constitute realised profits within the meaning of section 79B(2) of the Hong Kong Companies Ordinance.

The distributable reserves of the Company as at 31st March, 2001 was \$157,581,000 (2000: \$146,358,000).

- (c) During the year ended 31st March, 2000, the Company repurchased 85,000 shares with an aggregate price paid of \$90,000. The share premium on the repurchase of shares of \$47,000 was inadvertently charged to the share premium account. A reversal has been made in the current year by transferring \$47,000 from the retained profits to the share premium account. An amount equivalent to the par value of the shares cancelled of \$43,000 is also transferred from retained profits to the capital redemption reserve.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

29 COMMITMENTS

- (a) Capital commitments outstanding at 31st March, 2001 not provided for in the accounts were as follows:

	The Group	
	2001	2000
	\$'000	\$'000
Contracted for	10,124	4,950

- (b) At 31st March, 2001, the Group had commitments under operating leases relating to properties to make payments in the next year as follows:

	The Group	
	2001	2000
	\$'000	\$'000
Leases expiring:		
Within 1 year	52	228
After 1 year but within 2 years	257	–
After 2 years but within 5 years	1,168	869
	1,477	1,097

30 CONTINGENT LIABILITIES

At 31st March, 2001, there were contingent liabilities in respect of the following:

- (a) Bills discounted with banks amounting to approximately \$125,482,000 (2000: \$92,885,000) for the Group.
- (b) Counter indemnity given to a bank by a subsidiary to the extent of \$2,212,000 (2000: \$2,512,000) in respect of a duty deferment guarantee issued by the bank in favour of the customs office in the United Kingdom.
- (c) Guarantees given to banks by the Company to the extent of \$98,941,000 (2000: \$169,089,000) in respect of banking facilities extended to its subsidiaries and associates.

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

31 MATERIAL RELATED PARTY TRANSACTIONS

The following material transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business, on normal commercial terms:

- (a) Transactions with and income from YGM Trading Limited and its subsidiaries (“YGMT Group”). (The Chan family is the controlling shareholder of both the YGMT Group and the Group):

	2001 \$'000	2000 \$'000
Purchases of traded products	2,660	2,370
Sales of traded products	11,669	13,495
Rental income from properties	5,172	6,541
Management fees income	<u>804</u>	<u>804</u>

Purchases and sales of traded products and rental transactions were in the opinion of the directors, carried out on prices and terms comparable to those offered to or by independent third parties. The management fees were charged for administrative, business strategy, personnel, legal and company secretarial work, accounting and management services provided, which were determined annually between the respective parties after negotiations having regard to the cost of services provided.

	2001 \$'000	2000 \$'000
Amount due from YGMT Group	<u>5,394</u>	<u>3,420</u>

- (b) Transactions with YGM Marketing Pte Limited, which is beneficially owned by certain directors of the Company:

	2001 \$'000	2000 \$'000
Sales of traded products	<u>8,523</u>	<u>2,867</u>

The above transactions were in the opinion of the directors, carried out on terms comparable to those offered to independent third parties.

	2001 \$'000	2000 \$'000
Amount due to YGM Marketing Pte Limited	<u>709</u>	<u>100</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with Wuxi Changxin Textile Co., Ltd, an associate:

	2001 \$'000	2000 \$'000
Purchases of traded products	<u>36,759</u>	<u>22,093</u>

The above transactions were in the opinion of the directors, carried out on terms comparable to those offered by independent third parties.

	2001 \$'000	2000 \$'000
Amount due to Wuxi Changxin Textile Co., Ltd.	(664)	(8,420)
Dividend receivable	<u>28,106</u>	<u>–</u>

(d) Transactions with YangtzeKiang – Tomen S.A., an associate:

	2001 \$'000	2000 \$'000
Sales of traded products	<u>60,987</u>	<u>71,474</u>

The above transactions were in the opinion of the directors, carried out on terms comparable to those offered to independent third parties.

	2001 \$'000	2000 \$'000
Amount due from YangtzeKiang – Tomen S.A.	<u>432</u>	<u>609</u>

(e) Transactions with Hongkong Knitters Lanka (PVT) Limited (“HKKL”), an associate:

	2001 \$'000	2000 \$'000
Purchases on behalf and sales of traded products	52,441	33,747
Commission income	<u>4,743</u>	<u>3,719</u>

The Group purchased traded products on behalf of HKKL which were reimbursed to the Group by HKKL at cost. Commission income relates to sourcing services provided by the Group and is charged at an agreed percentage based on the HKKL's turnover.

The Company also issued a corporate guarantee of \$1,365,000 (2000: \$1,356,000) to a bank representing 50% of the general banking facilities granted by such bank to HKKL. HKKL is 50% owned by the Company and 50% owned by a company controlled by certain directors of the Company. The general banking facilities were used for funding HKKL's daily working capital requirements.

	2001 \$'000	2000 \$'000
Amount due (to)/from HKKL	<u>(4,954)</u>	<u>6,104</u>

Notes on the Accounts *(Continued)*

For the year ended 31st March, 2001

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (f) Transactions with YangtzeKiang Industries Sdn. Bhd. (“YISB”), an associate:

	2001 \$'000	2000 \$'000
Commission income	<u>4,377</u>	<u>4,168</u>

Commission income relates to sourcing services provided by the Group to YISB and is charged at an agreed percentage based on the associate’s turnover.

	2001 \$'000	2000 \$'000
Amount due from YISB	<u>1,272</u>	<u>624</u>

- (g) Transactions with non-wholly owned subsidiaries:

	2001 \$'000	2000 \$'000
(1) Guarantees given to banks in respect of credit facilities granted to the extent of the Company’s proportional equity interest held	<u>49,148</u>	<u>97,898</u>

The Company issued a corporate guarantee for an amount equivalent to \$49,148,000 (2000: \$97,898,000) to a banker, representing 75% of the general banking facilities granted by such bank to Hong Kong Knitters Limited (“HKK”). The general banking facilities were used for funding HKK’s daily working capital requirements.

HKK is 75% indirectly owned by the Company and 25% owned by a company controlled by certain directors of the Company.

- (2) Sales of traded products by the Group’s wholly-owned subsidiaries to certain non-wholly owned subsidiaries and their year end trade balances thereof have been eliminated on consolidation.

- (h) Outstanding loans from a related company controlled by certain directors of the Company at 31st March:

	2001 \$'000	2000 \$'000
Loans from a company controlled by certain directors	<u>17,639</u>	<u>17,639</u>

The amount is unsecured, interest-free and not repayable within one year.