1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Singapore Exchange Securities Trading Limited.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and export of cotton based knitted garments for women, children and infants and property investments.

2. BASIS OF PREPARATION

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of HK$111,459,000 as at 31 March 2001. The Group is currently unable to meet the repayment schedule of its borrowings, other than the obligations under finance leases attributable to a wholly-owned subsidiary, such that these borrowings have become technically repayable on demand. Accordingly, these borrowings have been classified as current liabilities. As a result, the Group is currently dependent upon the continued support of its bankers.

Pursuant to a standstill agreement dated 2 September 1999 entered into by the Group with two of its bankers whereby the bankers agreed to standstill in respect of the amounts owed to them by the Group. On 17 April 2000, the standstill agreement was extended to 30 June 2000. The Group is currently in negotiation with the bankers to further extend the standstill agreement and to restructure the Group's bank borrowings. Provided that the Group's bankers continue to support the Group, the directors consider that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective date of acquisition or disposal as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill and capital reserve

Goodwill or capital reserve arising on acquisition of a subsidiary represents respectively the excess or shortfall of the purchase consideration over the Group's share of the fair value ascribed to the separable net assets of the 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 is included in the determination of the gain or loss on disposal.

3. 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 is included in the Company's balance sheet at cost, as reduced by any impairment losses recognised.

Revenue recognition

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

The gain on disposal of permanent or temporary textile quota entitlements is recognised upon execution of a legally binding, unconditional and irrevocable transfer form to the transferee.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the lease terms.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

Property, plant and equipment

Property, plant and equipment, other than properties under development, are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is 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 assets, the expenditure is capitalised as an additional cost of the asset.

Advantage has been taken of the transitional relief provided by paragraph 72 of Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" ("SSAP 17") issued by the Hong Kong Society of Accountants from the requirement to make revaluation on a regular basis of the Group's leasehold land and buildings, certain of which had been carried at revalued amount prior to the effective date of SSAP 17 and accordingly, no further valuation of these properties is carried out.

Any surplus arising on the revaluation of leasehold land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit 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 accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Property, plant and equipment - *Continued*

The gain or loss on the 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. The attributable revaluation surplus not yet transferred to accumulated profits in prior years is transferred to accumulated profits.

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.

Costs relating to the development of properties are capitalised and included as properties under development, as appropriate, in the balance sheet until such time as they are identified for transfer to specific categories of property, plant and equipment or properties held for sale. Development costs exclude administrative and operating expenses which are charged to the income statement in the period in which they are incurred.

Properties under development are not depreciated until completion of construction.

Depreciation is provided to write off the cost or valuation of other 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 term of lease
Buildings	Over the duration of the leases or fifty years, whichever is the shorter
Others	5% - 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.

Assets held under finance leases

Assets held under finance leases are capitalised at their fair values at the dates of inception of the leases. Any outstanding principal amounts are shown as obligations under finance leases. The finance cost, which represents the difference between the total instalments payable and the original principal amount at the date of inception of the lease, is charged to the income statement at a constant periodic rate on the remaining balance of the obligations over the duration of the leases.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.