

# Notes to Financial Statements



31 March 2001

## I. CORPORATE INFORMATION

During the year, the Group was principally engaged in investment holding, the manufacture, trading and distribution of garments, property investment and development, and the operation of restaurant business.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of the Group's investment properties and certain fixed assets, as further explained below.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and, save for the subsidiaries detailed in note 16, all its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Subsidiaries**

A subsidiary is a company other than a jointly-controlled entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

### **Unconsolidated subsidiaries**

Interests in unconsolidated subsidiaries are stated at their carrying values at the date of deconsolidation less any provisions for permanent diminutions in values deemed necessary by the directors.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Joint venture companies

Joint venture companies comprise companies operating, directly or indirectly, in the People's Republic of China ("Mainland China") as independent business entities. The joint venture agreements between the venturers stipulate the operating, control rights and capital contributions of the joint venture parties, the duration of the joint venture and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the joint venture parties either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

A joint venture company is treated as:

- (i) a subsidiary, if the Group has effective control over the economic activity of the joint venture company; or
- (ii) a jointly-controlled entity, if neither the Group, nor its venture partners are in a position to exercise unilateral control over the economic activity of the joint venture company; or
- (iii) an associate, if the Group holds between 20% and 50% of the joint venture company's registered capital in the long term, does not have joint control but is in a position to exercise significant influence in its management; or
- (iv) an investment security, if the Group holds less than 20% of the joint venture company's registered capital and does not have joint control over the economic activity of the joint venture company.

### Jointly-controlled entity

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of its jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

# Notes to Financial Statements



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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Associates**

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

### **Goodwill/capital reserve on consolidation**

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year in which it arises.

Capital reserve on consolidation represents the excess of the purchase consideration paid over the fair values ascribed to the acquired subsidiaries' or associates' net underlying assets at the date of acquisition over the purchase consideration for such subsidiaries or associates.

On disposal/deconsolidation of subsidiaries or associates, the relevant portion of attributable goodwill or capital reserve previously eliminated against or taken to reserves is realised and included in the calculation of the gain or loss on disposal/deconsolidation.

### **Investment securities**

Investment securities are securities which are intended to be held on a continuing basis, and which are held for an identified long term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose. Investment securities are included in the balance sheet at cost less provisions for diminutions in values which are other than those considered to be temporary, as assessed by the directors on an individual investment basis. Such provisions are recognised as an expense in the consolidated profit and loss account.

The profit or loss on disposal of investment securities is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the security.

# Notes to Financial Statements



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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2.5% – 3%
Leasehold improvements	10% – 15%
Plant and machinery	10%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	20%

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of the finance lease terms and their estimated useful lives on the same basis as owned assets.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

# Notes to Financial Statements



31 March 2001

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### Properties under development

Properties under development intended for sale are stated at the lower of cost and net realisable value, which is determined by reference to prevailing market prices, on an individual property basis. Other properties under development are stated at cost unless, in the opinion of the directors, there have been diminutions in values other than temporary in nature, when they are written down to values determined by the directors. Cost includes all development expenditure, capitalised borrowing costs and other direct costs attributable to such properties.

Properties under development which have been pre-sold are stated at cost, plus attributable profits less foreseeable losses.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, limited to the amount of sales deposits and instalments received and with due allowances for contingencies.

Deposits received on properties pre-sold prior to their completion in excess of the attributable profit recognised are classified as current liabilities.

# Notes to Financial Statements



31 March 2001

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Properties under development (continued)**

Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within one year from the balance sheet date are classified as current assets.

### **Capitalised borrowing costs**

Interest incurred on borrowings to finance the construction and development of properties under development is capitalised and is included in the carrying values of these assets. Interest is capitalised at the Group's weighted average interest rate on external borrowings or, where applicable, the interest rates related to specific development project borrowings. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Export quotas**

Permanent export quotas purchased are charged to the profit and loss account in the year of acquisition.

Temporary export quotas purchased are charged to the profit and loss account at the date when goods are shipped under that quota category or upon expiry.

Export quotas allocated by the authorities in the countries in which the Group operates are not capitalised as assets in the balance sheet.

Income arising from the sale of export quotas is credited to the profit and loss account in the year of disposal.

### **Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

# Notes to Financial Statements



31 March 2001

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leased assets (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

### Cash equivalents

For the purpose of the consolidated cash flow statement, 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 advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, the jointly-controlled entity and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

# Notes to Financial Statements



31 March 2001

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Staff retirement scheme

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

For certain subsidiaries of the Company in Mainland China, contributions to the government retirement benefit schemes are charged to the profit and loss account as incurred.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) the sale of goods and quotas, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods and quotas sold;
- (b) income from restaurant business, in the period in which the services are provided;
- (c) income on pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out in the accounting policy note "Properties under development" above;



# Notes to Financial Statements



31 March 2001

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

- (d) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (f) income from the provision of merchandising consultancy services, in the period in which such services are provided.

## 3. TURNOVER

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts, the rendering of services, proceeds from the pre-sale of properties (adjusted to reflect the stage of completion of construction to the extent that these were not previously recognised) and gross rental income received and receivable.

Revenue from the following activities has been included in turnover:

	Group	
	2001 HK\$'000	2000 HK\$'000
Sale of goods	682,571	940,896
Income from restaurant business	204,608	209,211
Proceeds from pre-sale of properties under development	114,832	–
Gross rental income	3,062	3,116
<b>Turnover</b>	<b>1,005,073</b>	<b>1,153,223</b>

# Notes to Financial Statements



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## 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost of properties pre-sold	97,545	–
Cost of inventories sold and services provided	678,486	907,897
Auditors' remuneration	2,316	2,468
Depreciation:		
Owned fixed assets	15,175	14,038
Leased fixed assets	176	1,247
	<b>15,351</b>	<b>15,285</b>
Quota expenses	373	27
Rentals under operating leases for land and buildings	21,270	22,021
Staff costs (excluding directors' remuneration – note 6):		
Wages and salaries	105,202	116,913
Staff retirement scheme contributions	859	770
Less: Forfeited unvested contributions*	(16)	(127)
Net retirement scheme expense	843	643
	<b>106,045</b>	<b>117,556</b>
Foreign exchange losses, net	2,240	–
Provision for doubtful debts	7,888	13,877
Deficit on revaluation of investment properties – note 14	1,900	2,316
Loss on disposal of investment properties	–	13,084
Loss on disposal of fixed assets, net	82	–
and after crediting:		
Gain on disposal of subsidiaries	4,620	–
Foreign exchange gains, net	–	671
Gain on disposal of fixed assets, net	–	47
Interest income from:		
Bank balances	4,748	8,204
Associates	2,570	6,930
Other receivables	927	–
	<b>8,245</b>	<b>15,134</b>
Gross rental income	3,062	3,116
Less: Outgoings	(258)	(209)
Net rental income	2,804	2,907
Quota income	3,878	7,196

\* The amount of forfeited retirement scheme contributions available at the year end to reduce contributions in future years was not material.

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## 5. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest in respect of:		
Bank loans, overdrafts and other loan wholly repayable within five years	31,595	35,271
Factoring arrangements	254	251
Finance leases	56	306
	<b>31,905</b>	35,828
Less: Interest capitalised in respect of properties under development – note 13	<b>(15,082)</b>	(15,457)
Total finance costs	<b>16,823</b>	20,371

## 6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	20	–
Independent non-executive directors	400	400
Non-executive directors	200	200
	<b>620</b>	600
Other emoluments to executive directors:		
Salaries, allowances and benefits in kind	3,609	3,622
Bonuses paid and payable	2,644	2,035
	<b>6,253</b>	5,657
	<b>6,873</b>	6,257

# Notes to Financial Statements



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## 6. DIRECTORS' REMUNERATION (continued)

The remuneration of the above directors fell within the following bands:

	Group	
	2001 Number of directors	2000 Number of directors
Nil – HK\$1,000,000	5	3
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	–
	<b>7</b>	<b>6</b>

During the year, options to acquire shares in the Company were granted to certain directors. No value is included in the remuneration of the directors in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 7. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included four (2000: two) directors, details of whose remuneration are set out in note 6 above. Further details of the remuneration of the remaining one (2000: three) non-director, highest paid employees are set out below.

	Group	
	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	–	3,794
Bonuses paid and payable	4,165	7,710
	<b>4,165</b>	<b>11,504</b>

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## 7. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

The remuneration of the one (2000: three) non-director, highest paid employees fell within the following bands:

	Group	
	2001 Number of employees	2000 Number of employees
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	–	1
	<b>1</b>	<b>3</b>

## 8. TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong	–	245
Mainland China	<b>1,062</b>	1,208
Overseas	<b>13,432</b>	11,704
Overprovisions in prior years	<b>(70)</b>	–
Deferred tax – note 27	<b>(16)</b>	(19)
	<b>14,408</b>	13,138
Associates:		
Mainland China	<b>(3,600)</b>	–
Tax charge for the year	<b>10,808</b>	13,138

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Hong Kong profits tax in the prior year was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for tax is required for the associates or the jointly-controlled entity as no assessable profits were earned by these associates or the jointly-controlled entity during the year.

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## 9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$7,895,000 (2000: HK\$5,496,000).

## 10. DIVIDEND

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
Proposed final – HK2 cents (2000: Nil) per ordinary share	<b>14,524</b>	–

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$26,731,000 (2000: HK\$20,611,000), and the weighted average of 726,186,381 (2000: 678,275,637) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$26,731,000 (2000: HK\$20,611,000). The weighted average number of ordinary shares used in the calculation is 726,186,381 (2000: 678,275,637) ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 47,559 (2000: 4,738,507) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options and warrants outstanding during the year.

# Notes to Financial Statements



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## 12. FIXED ASSETS

### Group

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
At beginning of year	170,399	26,947	49,791	42,096	12,024	301,257
Additions	–	5,200	1,660	1,559	985	9,404
Disposal of subsidiaries	(19,763)	(3,369)	(1,152)	(4,874)	(964)	(30,122)
Other disposals	–	(162)	(4)	(582)	(718)	(1,466)
Exchange realignment	72	45	(1,460)	(172)	(286)	(1,801)
<b>At 31 March 2001</b>	<b>150,708</b>	<b>28,661</b>	<b>48,835</b>	<b>38,027</b>	<b>11,041</b>	<b>277,272</b>
Accumulated depreciation:						
At beginning of year	21,312	16,004	25,922	34,158	10,451	107,847
Provided during the year	3,315	5,811	2,538	2,765	922	15,351
Disposal of subsidiaries	(2,557)	(1,591)	(1,138)	(3,739)	(525)	(9,550)
Other disposals	–	(95)	(4)	(238)	(682)	(1,019)
Exchange realignment	16	27	(689)	(162)	(147)	(955)
<b>At 31 March 2001</b>	<b>22,086</b>	<b>20,156</b>	<b>26,629</b>	<b>32,784</b>	<b>10,019</b>	<b>111,674</b>
Net book value:						
<b>At 31 March 2001</b>	<b>128,622</b>	<b>8,505</b>	<b>22,206</b>	<b>5,243</b>	<b>1,022</b>	<b>165,598</b>
At 31 March 2000	149,087	10,943	23,869	7,938	1,573	193,410

# Notes to Financial Statements



31 March 2001

## 12. FIXED ASSETS (continued)

The cost/valuation of the Group's land and buildings by geographical location and terms of the leases are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Medium term leasehold land and buildings situated in Hong Kong, at 1995 valuation	61,500	61,500
Land and buildings situated in Mainland China:		
Medium term leasehold, at cost	73,927	73,876
Freehold land and buildings situated overseas, at cost	15,281	35,023
	<b>150,708</b>	<b>170,399</b>

Certain of the Group's leasehold land and buildings were revalued at 31 March 1995 by Vigers Hong Kong Limited, a firm of independent professional valuers, on an open market value based on their existing use basis. Effective from 31 March 1996, no further revaluations of the Group's leasehold land and buildings have been carried out. The Group has relied upon the exemption from the need to revalue the entire class of land and buildings on a regular basis, granted under paragraph 80 of Statement of Standard Accounting Practice No. 2.117 "Property, plant and equipment".

Had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$107,636,000 (2000: HK\$127,401,000).

The net book value of assets held under finance leases included in the total amount of fixed assets as at 31 March 2001 amounted to HK\$800,000 (2000: HK\$2,771,000). The depreciation charge for the year in respect of such assets amounted to HK\$176,000 (2000: HK\$1,247,000).



# Notes to Financial Statements



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## 13. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001 HK\$'000	2000 HK\$'000
At cost:		
Balance at beginning of year	175,745	113,826
Additions	60,519	46,012
Interest capitalised – note 5	15,082	15,457
Exchange realignment	367	450
Balance at 31 March	251,713	175,745
Properties under development included in current assets	(179,712)	–
Long term portion	72,001	175,745

The properties under development are situated in Mainland China with medium term land use rights.

## 14. INVESTMENT PROPERTIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year, at valuation	65,000	93,400
Disposals	–	(26,084)
Deficit on revaluation charged to profit and loss account – note 4	(1,900)	(2,316)
Balance at 31 March, at valuation	63,100	65,000
Analysis by geographical location:		
Hong Kong	52,200	54,000
Mainland China	10,900	11,000
	63,100	65,000

The Group's investment properties, all of which are held under medium term leases, were revalued on 31 March 2001 by Vigers Hong Kong Limited, a firm of independent professional valuers, at HK\$63,100,000 on an open market, existing use basis.

# Notes to Financial Statements



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## 15. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	23,600	23,600
Due from subsidiaries	787,523	794,450
Due to subsidiaries	(122,762)	(136,498)
	<b>688,361</b>	<b>681,552</b>

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Company are as follows:

Company	Place of incorporation/ registration and operations	Class of equity interest held	Issued/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
Amica Apparel Corporation # @	United States of America	Ordinary shares	US\$70,701	-	82	Distribution and sale of garments
Amica Fashion Company (Pty) Limited *	South Africa	Ordinary shares	Rand160,002	80	80	Manufacture of garments
Amica Properties Limited	Hong Kong	Ordinary shares	HK\$10,000	100	100	Property investment
Amica, SA #	Republic of Guatemala	Ordinary shares	Q10,000	100	100	Investment holding
Carrianna (BVI) Ltd.*	British Virgin Islands	Ordinary shares	US\$1	100	100	Investment holding
Carrianna Chiu Chow Restaurant (T.S.T.) Limited #	Hong Kong	Ordinary shares	HK\$1,000,000	61	61	Restaurant operations

# Notes to Financial Statements



31 March 2001

## 15. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Class of equity interest held	Issued/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
Carrianna (Chiu Chow) Restaurant Limited #	Hong Kong	Ordinary shares	HK\$8,000,000	63	63	Restaurant operations
Carrianna (Shenzhen) Investment Co., Ltd. <sup>(2)</sup>	Mainland China	Registered capital	HK\$80,000,000	100	100	Investment holding and property development
Dongguan Tak Sing Building Material Company Limited <sup>(3)</sup>	Mainland China	Registered capital	HK\$6,430,000	100	100	Manufacture and distribution of building materials
Fountain Villa Limited	Hong Kong	Ordinary shares	HK\$20	100	100	Provision of garment quality control and merchandise services
Goldfield Properties Limited	Hong Kong	Ordinary shares	HK\$2	100	100	Property investment
International Fashions Group Inc. #	Canada	Ordinary shares Non-voting preference shares	C\$9,500 C\$500	80 –	80 –	Distribution and sale of garments
Kunming Carrianna Chaozhou Restaurant Co., Ltd. <sup>(1)</sup>	Mainland China	Registered capital	HK\$12,000,000	62	62	Restaurant operations
La Vereda, SA #	Republic of Guatemala	Ordinary shares	Q75,000	100	100	Manufacture of garments
Maran, Inc. # @	United States of America	Ordinary shares	US\$988,571	–	82	Distribution and sale of garments

# Notes to Financial Statements



31 March 2001

## 15. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Class of equity interest held	Issued/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
MBS Enterprises Limited	Hong Kong	Ordinary shares	HK\$1,500,000	100	100	Trading of fabrics, garments, plant and machinery
Perfectus Ltd	British Virgin Islands	Ordinary shares	US\$1	100	100	Provision of merchandising consultancy services
Poltex Garments (Pty) Limited #	Lesotho	Ordinary shares	M58,435	100	100	Manufacture of garments
Chiori Apparel, Inc. (formerly known as Private Label Corporation) #	United States of America	Ordinary shares	US\$375,000	100	100	Distribution and sale of garments
Shenzhen Carrianna Chiu Chow Restaurant Co., Ltd. <sup>(1)</sup>	Mainland China	Registered capital	HK\$6,000,000	92	92	Restaurant operations
Shenzhen Carrianna Friendship Square Restaurant Co., Ltd. <sup>(1)</sup>	Mainland China	Registered capital	RMB20,000,000	68	68	Restaurant operations
Sunlight (Panyu) Garments and Laundry Company Limited <sup>(2)</sup>	Mainland China	Registered capital	HK\$35,000,000	100	100	Manufacture of garments and provision of garment laundry services
Tak Sing Alliance Limited	Hong Kong	Ordinary shares	HK\$200	100	100	Manufacture and distribution of garments and property development
		Non-voting deferred shares	HK\$1,000,000	–	–	

# Notes to Financial Statements



31 March 2001

## 15. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Class of equity interest held	Issued/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
Tak Sing (Panyu) Fashion Company Limited <sup>(2)</sup>	Mainland China	Registered capital	HK\$16,000,000	100	100	Manufacture of garments

\* direct subsidiaries of the Company

# not audited by Ernst & Young

@ disposed of during the year

<sup>(1)</sup> Sino foreign equity joint venture companies

<sup>(2)</sup> wholly-owned foreign enterprises

<sup>(3)</sup> Sino foreign co-operate joint venture companies

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.

The subsidiaries disposed of during the year contributed HK\$345,310,000 to the Group's turnover and a profit of HK\$15,156,000 to the Group's profit before tax.

## 16. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts due from unconsolidated subsidiaries	9,157	9,157	47	47
Net liabilities deconsolidated	(6,967)	(6,967)	-	-
	2,190	2,190	47	47
Provision for non-recovery	(2,190)	(2,190)	(47)	(47)
	-	-	-	-

# Notes to Financial Statements



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## 16. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES (continued)

Particulars of the unconsolidated subsidiaries at the balance sheet date were as follows:

Name	Place of incorporation/ registration and operations	Percentage of indirect equity interest attributable to the Company	Principal activities
Jeantex Holding B.V.	Netherlands	63	Dormant
Jeantex B.V.	Netherlands	63	Dormant
Chiori Mode GmbH	Germany	63	Dormant

Jeantex Holding B.V. is the holding company of Jeantex B.V. and Chiori Mode GmbH (collectively “Jeantex”), which were previously engaged in the distribution and sale of garments. During the year ended 31 March 1998, Jeantex sustained continuing operating losses due to the inability of the Company to exercise effective control over its operations and assets. The directors resolved not to provide further finance to Jeantex and to dispose of the Group’s interest therein as soon as possible.

In view of the foregoing, Jeantex was treated as abandoned subsidiaries and, therefore, was deconsolidated in 1998. Furthermore, in view of the large deficiency in assets of Jeantex and its unsatisfactory results, the board of directors had made full provision against the interests in these unconsolidated subsidiaries in 1998. No guarantees had been given by the Group to Jeantex or its creditors and thus no contingent liability in respect thereof is considered likely to arise.

# Notes to Financial Statements



31 March 2001

## 17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	3,377	4,127
Amount due from the jointly-controlled entity	798	1,002
	<b>4,175</b>	<b>5,129</b>

The amount due from the jointly-controlled entity is unsecured, interest-free and is not repayable within one year from the balance sheet date.

Particulars of the Group's interest in the jointly-controlled entity are as follows:

Name	Business structure	Place of operation and registration	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Chengdu Carrianna Chaozhou Restaurant Co., Ltd.	Corporate	Mainland China	51	50	51	Restaurant operations

The investment in the jointly-controlled entity is indirectly held by the Company.

# Notes to Financial Statements



31 March 2001

## 18. INTERESTS IN ASSOCIATES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	288,335	295,786
Due from associates	136,494	131,624
Due to associates	(100,848)	(103,924)
	<b>323,981</b>	323,486

The balances with the associates are unsecured and have no fixed terms of repayment. Except for a balance of HK\$47,505,000 (2000: HK\$63,000,000) due from an associate which bears interest at 11% per annum, the balances with other associates are interest-free.

The Group's share of aggregate losses accumulated by the associates for the year amounted to HK\$10,373,000 (2000: HK\$13,251,000).

The Group's share of the net post-acquisition reserves of the associates as at 31 March 2001 amounted to HK\$78,145,000 (2000: HK\$88,518,000).



# Notes to Financial Statements



31 March 2001

## 18. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates, all of which are unlisted companies, are as follows:

Company	Business structure	Place of incorporation/ registration	Percentage of equity interest attributable to the Group		Principal activities
			2001	2000	
Carrianna Holdings Limited #	Corporate	Hong Kong	42	42	Property development and investment
Hainan Carrianna Food & Beverage Entertainment Limited	Corporate	Mainland China	45	45	Restaurant operations
Maxima SA #	Corporate	Republic of Guatemala	50	50	Laundry operations

# not audited by Ernst & Young

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

All of the above associates operate in the place of their incorporation/registration, except for Carrianna Holdings Limited, which is incorporated in Hong Kong but operates in Mainland China.

# Notes to Financial Statements



31 March 2001

## 19. OTHER RECEIVABLES

	Group	
	2001 HK\$'000	2000 HK\$'000
Other receivables, secured	39,525	–
Portion classified as current assets included under “Deposits, prepayments and other receivables”	(16,838)	–
Long term portion	22,687	–

As at 31 March, 2001, the other receivables of the Group represented the deferred consideration of HK\$39,525,000 in respect of the Group's disposal of certain of its subsidiaries in the United States of America, HK\$16,838,000 of which is receivable within twelve months from the balance sheet date and therefore classified as current assets. The amount is secured, interest-bearing and is receivable by instalments with the last instalment due on or before 20 April 2003.

## 20. INVESTMENT SECURITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Unlisted equity investments, at cost	10,669	10,661

# Notes to Financial Statements



31 March 2001

## 21. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	20,544	23,170
Work in progress	7,266	12,428
Finished goods	9,160	59,859
Food and beverages	8,283	10,218
	<b>45,253</b>	105,675

The carrying amount of inventories is arrived at after charging a provision of HK\$10,171,000 (2000: HK\$11,360,000).

At 31 March 2001, the carrying amount of inventories of the Group pledged as security for liabilities amounted to HK\$2,398,000 (2000: HK\$40,419,000).

## 22. TRADE DEBTORS AND BILLS RECEIVABLE

The aged analysis of trade debtors and bills receivable is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Outstanding balances with ages:		
Current – 30 days	44,722	143,991
31 – 60 days	3,423	23,577
61 – 90 days	1,776	4,312
Over 90 days	13,633	18,300
	<b>63,554</b>	190,180

### Credit terms

Trade debtors and bills receivable, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less provision for doubtful debts which is recorded when collection of the full amount is no longer probable. Bad debts are written off as incurred.

# Notes to Financial Statements



31 March 2001

## 23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	50,896	51,812	71	73
Time deposits	95,572	81,652	–	–
	<b>146,468</b>	133,464	<b>71</b>	73
Less: Pledged time deposits	(76,625)	(79,261)	–	–
	<b>69,843</b>	54,203	<b>71</b>	73

## 24. TRADE CREDITORS

The aged analysis of trade creditors is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Outstanding balances with ages:		
Current – 30 days	29,242	68,917
31 – 60 days	7,286	15,489
61 – 90 days	2,912	9,406
Over 90 days	8,132	13,923
	<b>47,572</b>	107,735

# Notes to Financial Statements



31 March 2001

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts:				
Secured	129	29,101	–	–
Unsecured	3,856	5,029	–	–
	<b>3,985</b>	<b>34,130</b>	<b>–</b>	<b>–</b>
Bank loans:				
Secured	198,088	245,560	62,000	65,000
Unsecured	16,800	4,116	6,800	–
	<b>214,888</b>	<b>249,676</b>	<b>68,800</b>	<b>65,000</b>
Trust receipt loans:				
Secured	10,366	25,283	–	–
Unsecured	1,807	6,443	–	–
	<b>12,173</b>	<b>31,726</b>	<b>–</b>	<b>–</b>
Other loan:				
Secured	–	19,216	–	–
	<b>231,046</b>	<b>334,748</b>	<b>68,800</b>	<b>65,000</b>
Bank overdrafts repayable within one year or on demand	<b>3,985</b>	<b>34,130</b>	<b>–</b>	<b>–</b>
Bank loans repayable:				
Within one year or on demand	138,598	181,951	16,300	9,000
In the second year	25,853	12,983	14,500	12,000
In the third to fifth years, inclusive	46,199	38,946	38,000	36,000
Beyond five years	4,238	15,796	–	8,000
	<b>214,888</b>	<b>249,676</b>	<b>68,800</b>	<b>65,000</b>
Trust receipt loans repayable within one year or on demand	<b>12,173</b>	<b>31,726</b>	<b>–</b>	<b>–</b>
Other loan repayable:				
Within one year or on demand	–	293	–	–
In the second year	–	315	–	–
In the third to fifth years, inclusive	–	18,608	–	–
	<b>–</b>	<b>19,216</b>	<b>–</b>	<b>–</b>
	<b>231,046</b>	<b>334,748</b>	<b>68,800</b>	<b>65,000</b>
Portion classified as current liabilities	<b>(154,756)</b>	<b>(248,100)</b>	<b>(16,300)</b>	<b>(9,000)</b>
Long term portion	<b>76,290</b>	<b>86,648</b>	<b>52,500</b>	<b>56,000</b>

# Notes to Financial Statements



31 March 2001

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The other loan in the prior year, which was disposed of during the year upon disposal of subsidiaries, was secured, bore interest at 7.56% per annum and was repayable by monthly instalments.

## 26. FINANCE LEASE PAYABLES

There were obligations under finance leases at the balance sheet date as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Amounts payable:		
Within one year	352	607
In the second year	349	508
In the third to fifth years, inclusive	148	209
Total minimum finance lease payments	849	1,324
Future finance charges	(108)	(116)
Total net finance lease payables	741	1,208
Portion classified as current liabilities	(299)	(534)
Long term portion	442	674

## 27. DEFERRED TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	934	1,011
Credited to profit and loss account – note 8	(16)	(19)
Exchange realignment	(169)	(58)
At 31 March	749	934

# Notes to Financial Statements



31 March 2001

## 27. DEFERRED TAX (continued)

The provision for deferred tax relates to timing differences arising from accelerated capital allowances which are expected to crystallise in the foreseeable future.

At the balance sheet date, the Group had no material unprovided deferred tax liabilities.

Deferred tax has not been provided on revalued fixed assets and investment properties as, in the opinion of the directors, the revaluation surplus is not deemed to be a timing difference.

No provision has been made for taxes which would arise on the remittance to Hong Kong of the retained profits of overseas subsidiaries because the amounts to be remitted in the near future are either not subject to local withholding tax, or are considered immaterial.

## 28. SHARE CAPITAL

### Shares

	Company	
	2001 HK\$'000	2000 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
726,187,219 (2000: 726,177,019) ordinary shares of HK\$0.10 each	72,619	72,618

During the year, 10,200 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.40 per share, pursuant to the exercise of the rights attaching to the Company's warrants, for a total cash consideration, before expenses, of approximately HK\$4,000.

### Share options

On 25 September 1991, the Company adopted a share option scheme under which the directors may, at their discretion, invite any executive or director of the Company or its subsidiaries to take up share options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which share options may be granted under the scheme may not exceed 10% of the then issued share capital of the Company.

# Notes to Financial Statements



31 March 2001

## 28. SHARE CAPITAL (continued)

### Share options (continued)

No consideration has been paid by the directors for the options granted by the Company.

The movement in the number of share options to subscribe for shares in the Company during the year is as follows:

	<b>Number of shares under option granted on 29 January 2001</b>
Balance at beginning of year	–
Granted during the year	<b>12,400,000</b>
Exercised during the year	–
<b>At 31 March 2001</b>	<b>12,400,000</b>
<b>Option exercise price per share (subject to adjustment)</b>	<b>HK\$0.16</b>
<b>Expiry Date</b>	<b>28 January 2004</b>

The exercise in full of the above share options would, under the present capital structure of the Company, result in the issue of 12,400,000 additional ordinary shares for aggregate proceeds, before the related issue expenses, of approximately HK\$1,984,000.

### Warrants

At 1 April 2000, the Company had outstanding warrants in the amount of HK\$7,050,765 which entitled the holder thereof to subscribe for 70,507,650 ordinary shares of HK\$0.10 at an initial subscription price of HK\$0.40 per share, payable in cash and subject to adjustment, at any time from 18 February 2000 to 28 February 2002 (both dates inclusive).

During the year, 10,200 warrants were exercised for 10,200 shares of HK\$0.10 each at HK\$0.40 per share. At the balance sheet date, the Company had 70,497,450 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 70,497,450 additional shares of HK\$0.10 each.



# Notes to Financial Statements



31 March 2001

## 29. RESERVES

### Group

	Share premium account HK\$'000	Leasehold land and building revaluation reserve HK\$'000	Investment property revaluation reserve of associates HK\$'000	Goodwill reserve HK\$'000	Exchange equalisation reserve HK\$'000	Capital redemption reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	447,002	61,159	71,309	(86,533)	(8,256)	316	581	169,580	655,158
Premium on issue of shares	17,203	-	-	-	-	-	-	-	17,203
Capital reserve arising on acquisition of additional interest in a subsidiary	-	-	-	194	-	-	-	-	194
Share of revaluation deficit of an associate	-	-	(68,208)	-	-	-	-	-	(68,208)
Net profit for the year	-	-	-	-	-	-	-	20,611	20,611
Exchange differences on translation of overseas subsidiaries' financial statements	-	-	-	-	(2,330)	-	-	-	(2,330)
At 31 March 2000 and 1 April 2000	464,205	61,159	3,101	(86,339)	(10,586)	316	581	190,191	622,628
Premium on issue of shares	3	-	-	-	-	-	-	-	3
Exchange reserve released on disposal of subsidiaries	-	-	-	-	950	-	-	-	950
Goodwill released on disposal of subsidiaries	-	-	-	109	-	-	-	-	109
Net profit for the year	-	-	-	-	-	-	-	26,731	26,731
Proposed dividend	-	-	-	-	-	-	-	(14,524)	(14,524)
Exchange differences on translation of overseas subsidiaries' financial statements	-	-	-	-	(3,828)	-	-	-	(3,828)
At 31 March 2001	464,208	61,159	3,101	(86,230)	(13,464)	316	581	202,398	632,069

# Notes to Financial Statements



31 March 2001

## 29. RESERVES (continued)

### Group (continued)

	Share premium account HK\$'000	Leasehold land and building revaluation reserve HK\$'000	Investment property revaluation reserve of associates HK\$'000	Goodwill reserve HK\$'000	Exchange equalisation reserve HK\$'000	Capital redemption reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
Reserves retained by:									
Company and subsidiaries	464,208	61,159	-	(86,230)	(13,523)	316	581	132,202	558,713
Jointly-controlled entity	-	-	-	-	59	-	-	(4,848)	(4,789)
Associates	-	-	3,101	-	-	-	-	75,044	78,145
<b>At 31 March 2001</b>	<b>464,208</b>	<b>61,159</b>	<b>3,101</b>	<b>(86,230)</b>	<b>(13,464)</b>	<b>316</b>	<b>581</b>	<b>202,398</b>	<b>632,069</b>
Company and subsidiaries	464,205	61,159	-	(86,339)	(10,627)	316	581	108,854	538,149
Jointly-controlled entity	-	-	-	-	41	-	-	(4,080)	(4,039)
Associates	-	-	3,101	-	-	-	-	85,417	88,518
<b>At 31 March 2000</b>	<b>464,205</b>	<b>61,159</b>	<b>3,101</b>	<b>(86,339)</b>	<b>(10,586)</b>	<b>316</b>	<b>581</b>	<b>190,191</b>	<b>622,628</b>

Reserve funds represent the non-distributable statutory reserves of the Group's subsidiaries in Mainland China. The transfers to these reserves are determined by the board of directors of the subsidiaries in accordance with the relevant laws and regulations of Mainland China. The reserve funds can be used to offset against future losses or to increase the capital of the subsidiaries.

# Notes to Financial Statements



31 March 2001

## 29. RESERVES (continued)

### Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	447,002	59,759	316	21,942	529,019
Premium on issue of shares	17,203	–	–	–	17,203
Net profit for the year	–	–	–	5,496	5,496
At 31 March 2000 and 1 April 2000	464,205	59,759	316	27,438	551,718
Premium on issue of shares	3	–	–	–	3
Net profit for the year	–	–	–	7,895	7,895
Proposed dividend	–	–	–	(14,524)	(14,524)
At 31 March 2001	464,208	59,759	316	20,809	545,092

The contributed surplus of the Company arose as a result of the Group reorganisation on 12 August 1991 and represented the difference between the nominal value of the share capital issued by the Company and the combined net assets of the subsidiaries acquired pursuant to the Group reorganisation, less the effects of the bonus issue of shares in previous years.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain specific circumstances.

# Notes to Financial Statements



31 March 2001

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	73,216	73,835
Interest income	(8,245)	(15,134)
Depreciation	15,351	15,285
Loss/(gain) on disposal of fixed assets	82	(47)
Gain on disposal of subsidiaries	(4,620)	–
Provision for doubtful debts	7,888	13,877
Deficit on revaluation of investment properties	1,900	2,316
Loss on disposal of investment properties	–	13,084
Additions to properties under development	(44,500)	(37,673)*
Decrease/(increase) in trade debtors and bills receivables	(3,107)	32,951
Increase in deposits, prepayments and other receivables	(8,893)	(10,260)
Decrease/(increase) in inventories	(15,471)	38,719
Increase/(decrease) in trade creditors	23,786	(10,949)
Increase in sundry creditors, accruals and deposits received	48,887	26,438
<b>Net cash inflow from operating activities</b>	<b>86,274</b>	<b>142,442</b>

\* This amount in the previous year was classified as net cash flow from investing activities in the consolidated cash flow statement. To accord with the presentation adopted in the current year which, in the opinion of the directors, better reflects the underlying nature of the transaction, it has been reclassified to net cash flow from operating activities.

# Notes to Financial Statements



31 March 2001

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000	Minority interests HK\$'000	Bank and other loans HK\$'000	Finance lease payables HK\$'000
Balance at 1 April 1999	512,828	35,438	301,781	2,767
Net cash inflow/(outflow) from financing	23,995	3,935	(34,329)	(1,559)
Arising on acquisition of additional interest in a subsidiary	–	(835)	–	–
Share of profits for the year	–	5,620	–	–
Dividends paid to minority interests	–	(1,264)	–	–
Effect of foreign exchange translations	–	(56)	1,440	–
<b>Balance at 31 March 2000 and 1 April 2000</b>	<b>536,823</b>	<b>42,838</b>	<b>268,892</b>	<b>1,208</b>
Net cash inflow/(outflow) from financing	4	(413)	(19,494)	(715)
Arising from disposal of subsidiaries	–	(16,087)	(33,275)	(670)
Share of profits for the year	–	4,113	–	–
Dividends paid to minority interests	–	(1,447)	–	–
Inception of finance lease contracts	–	–	–	918
Effect of foreign exchange translations	–	(709)	(1,235)	–
<b>Balance at 31 March 2001</b>	<b>536,827</b>	<b>28,295</b>	<b>214,888</b>	<b>741</b>

# Notes to Financial Statements



31 March 2001

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	20,572	—
Inventories	73,040	—
Trade debtors and bills receivable	117,411	—
Cash and bank balances	3,322	—
Deposits, prepayments and other receivables	3,287	—
Trade creditors	(81,041)	—
Sundry creditors and accruals	(6,208)	—
Tax payable	(4,161)	—
Finance lease payable	(670)	—
Interest-bearing bank and other borrowings	(33,275)	—
Minority interest	(16,087)	—
	<b>76,190</b>	—
Goodwill released on disposal	109	—
Exchange equalisation reserve realised on disposal	950	—
Gain on disposal of subsidiaries	4,620	—
	<b>81,869</b>	—
Satisfied by:		
Other long term receivable	22,687	—
Other short term receivable	18,948	—
Discharge of debt receivable	(18,244)	—
Cash consideration	58,478	—
	<b>81,869</b>	—

# Notes to Financial Statements



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## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Disposal of subsidiaries (continued)

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	58,478	–
Cash and bank balances disposed of	(3,322)	–
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	<b>55,156</b>	–

The subsidiaries disposed of during the year contributed HK\$19,041,000 to the Group's net operating cash flows, paid HK\$10,538,000 in respect of tax, contributed HK\$1,593,000 for investing activities and paid HK\$8,504,000 for financing activities.

### (d) Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$918,000.

# Notes to Financial Statements



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## 31. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	9,800	7,454	–	–
Long service payments	2,127	1,881	–	–
Guarantees given for banking facilities utilised by subsidiaries	–	–	105,595	314,909
	<b>11,927</b>	<b>9,335</b>	<b>105,595</b>	<b>314,909</b>

The Company has also given a guarantee to a bank for granting a loan to an associate in the amount of HK\$38,333,000 (2000: HK\$40,000,000). The fellow shareholders of the associate have undertaken to indemnify the Company to the extent of their proportionate equity interest in respect of any liability arising from the guarantee given by the Company. The net exposure of the Company after taking into account the above indemnities was HK\$16,100,000 (2000: HK\$16,800,000) at the balance sheet date.

## 32. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

	Group	
	2001 HK\$'000	2000 HK\$'000
Capital commitments for property under development projects:		
Authorised and contracted for	12,030	60,763
Authorised, but not contracted for	13,465	22,962
	<b>25,495</b>	<b>83,725</b>
Other capital commitments:		
Authorised and contracted for	6,552	–



# Notes to Financial Statements



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## 32. COMMITMENTS (continued)

	Group	
	2001 HK\$'000	2000 HK\$'000
Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	3,851	14,202
In the second to fifth years, inclusive	379	13,773
Beyond five years	3,890	1,165
	<b>8,120</b>	<b>29,140</b>

The Company did not have any material commitments as at the balance sheet date (2000: Nil).

## 33. PLEDGE OF ASSETS

As at the balance sheet date, certain of the Group's fixed assets, investment properties, time deposits, a portion of the trade debtors and inventories with a total carrying value of HK\$238,895,000 (2000: HK\$414,878,000), and certain leasehold properties of an associate and a related company were pledged to secure general banking, trade finance and other facilities granted to the Group.

## 34. RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year:

- (a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Company had significant transactions with parties in which Ma Kai Cheung and/or Ma Kai Yum, directors of the Company, have beneficial equity interests as follows:

		2001 HK\$'000	2000 HK\$'000
	Notes		
Sales of goods to related companies	(i)	6,479	2,136
Purchase of goods from related companies	(ii)	<b>(43,507)</b>	(35,296)

# Notes to Financial Statements



31 March 2001

## 34. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) The directors consider that sales to related companies were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The directors consider that purchase prices were determined according to the published prices and conditions similar to those offered to other customers of the supplier.

In the opinion of the directors, the above transactions were entered into by the Group in the normal course of business.

- (b) Interest income of HK\$2,570,000 (2000: HK\$6,930,000) from an associate which arose from an advance, further details of which, including the terms, are disclosed in note 18 to the financial statements.
- (c) On 25 July 1997, Carrianna (Shenzhen) Investment Limited (“Carrianna (Shenzhen)”), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the “Principal Agreement”) with an independent Chinese party to co-operate in and to jointly undertake the redevelopment of a building site in Shenzhen, Mainland China.

On 22 September 1997, Carrianna (Shenzhen) entered into a joint venture agreement with Luendan Enterprises Company Limited (“Luendan”), a company in which Yip Hing Chung, a non-executive director of the Company, and his family hold 80% equity interest, for the joint development of the aforesaid building site. Pursuant to the joint venture agreement, Luendan will share 20% of all entitlements, rights, benefits and profits in the redevelopment which were originally enjoyed by Carrianna (Shenzhen) under the Principal Agreement. The particulars of these transactions were disclosed in the press announcement of the Company on 23 September 1997.

As at 31 March 2001, the redevelopment was substantially completed.

- (d) On 19 December 2000, Tak Sing Holding B.V. (“TSBV”), an indirect wholly-owned subsidiary of the Company which held 90% equity interest in Maran Inc. (“Maran”), entered into a stock purchase agreement with Maran for Maran to repurchase TSBV’s entire interest in Maran at a total consideration of US\$10,500,000 (approximately HK\$81,869,000). Further details of the transaction were set out in a circular dated 10 January 2001 to the shareholders of the Company.

## 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 24 July 2001.