Notes on the Accounts

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

(d) Investments in subsidiaries

A subsidiary is a company in which the group, directly or indirectly, holds more than half of the issued share 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.

(e) Other investments in securities

The group's and the company's policies for investments in securities other than investments in subsidiaries are as follows:

(i) Dated debt securities that the group and/or the company have the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

(ii) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

(iii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

(v) 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.

(f) 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; and

- all other fixed assets are stated in the balance sheet at cost or valuation 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.

(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.

(g) 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 the period of entitlement;

– buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases; and

– other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Plant and machinery	10 years
Leasehold improvements, motor vehicles, furniture and equipment	2 - 10 years

(iii) In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 72 of 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.

(h) Leased assets

Where assets are acquired under finance leases, the amounts representing the outright purchase price of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates designed to write off the cost of the assets in equal annual amounts over the estimated useful lives of the assets as set out in note 1(g) above. Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the contract so as to provide an approximately constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

Rental payments under operating leases are charged to the profit and loss account on a straight-line line basis over the periods of the respective leases.

(i) 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 arising from sale of garments and printing products 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

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) Royalty income

Royalty income is recognised on an accruals basis.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

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

(v) Interest income

- Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

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

(j) Inventories

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

Cost is calculated using the FIFO formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

(k) Trademark rights

Costs in connection with the acquisition of trademark rights are written off directly to reserves in the year of acquisition.

(l) 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.

(m) 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 on foreign currency translations are dealt with in the profit and loss account.

The results of overseas subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange differences arising on consolidation of overseas subsidiaries are dealt with as a movement in reserves.

(n) Retirement costs
The group contributes towards a Mandatory Provident Fund and the regular cost of providing retirement benefits is charged to the profit and loss account on an accruals basis.

(o) 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.

(p) 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.

[2] TURNOVER

The principal activities of the company are investment holding and provision of management services. The principal activities of the subsidiaries are set out on pages 78 to 81.

Turnover represents the aggregate of net invoiced value of sales to and rental income from external customers and royalty income from external licensees after eliminating inter-company transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2001	2000
	$'000	$'000
Sale of garments	**1,660,054**	1,643,347
Printing and related services	**36,570**	34,554
Royalty income	**36,044**	38,568
Gross rentals from investment properties	**5,945**	8,656
	1,738,613	1,725,125

[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 2001 HK$'000	Group turnover 2000 HK$'000	Contribution to profit from operations 2001 HK$'000	Contribution to profit from operations 2000 HK$'000
(a) Principal activities				
Sale of garments	**1,660,054**	1,643,347	**183,930**	173,461
Printing and related services	**36,570**	34,554	**3,148**	4,680
Royalty income	**36,044**	38,568	**17,505**	10,208
Property rental	**5,945**	8,656	**2,334**	7,829
	1,738,613	1,725,125	**206,917**	196,178
Other group income/(expenses)			**1,001**	(3,080)
			207,918	193,098
(b) Geographical locations of operations				
Hong Kong	**437,957**	400,784	**65,909**	58,068
Other areas of the People's Republic of China	**94,643**	102,811	**8,815**	13,941
Taiwan	**1,033,649**	1,153,282	**109,745**	112,605
Others	**172,364**	68,248	**23,449**	8,484
	1,738,613	1,725,125	**207,918**	193,098

[4] INCOME

	2001	2000
	$'000	$'000
Other revenue		
Alteration charges	**623**	570
Bank interest income	**21,616**	15,086
Claims receivable	**1,014**	–
Gain on debt waiver	**–**	2,416
Dividend income from listed securities	**429**	58
Handling fee income	**–**	928
Management fee income	**1,328**	1,369
Overprovision of royalty expenses written back	**–**	3,200
Sale of other materials	**–**	832
Transfer of quota	**4**	223
Others	**16,592**	13,194
	41,606	37,876
Other net income		
Net exchange (loss)/gain	**(1,373)**	5,735
Gain on disposal of investment properties	**–**	4,180
Net loss on disposal of fixed assets	**(4,048)**	(5,813)
Net realised and unrealised gains on other securities carried at fair value	**2,641**	7,896
Others	**4,889**	159
	2,109	12,157

[5] PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

		2001	2000
		$'000	$'000
(a)	*Finance cost:*		
	Interest on bank advances and other borrowings repayable within five years	**4,054**	2,013
	Finance charges on obligations under finance leases	**131**	237
		4,185	2,250
(b)	*Non-operating expenses:*		
	Provision for diminution in value of investment securities	**–**	4,900

(c) *Other items:*

Amortisation and depreciation*		
– owned assets	**61,874**	41,719
– assets held under finance leases	**454**	227
Auditors' remuneration		
– current year	**2,325**	1,697
– prior year	**907**	366
Cost of inventories*	**837,211**	842,916
Operating lease charges*		
– rental of properties	**225,178**	219,520
– hire of equipment	**3,068**	2,839
Staff costs (including retirement costs of $2,534,000 (2000: $2,789,000))*	**277,282**	258,610

* Cost of inventories includes $42,838,000 (2000: $37,860,000) 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 types of expenses.

[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	**6,787**	4,425
Underprovision in respect of prior years	**341**	725
	7,128	5,150
Overseas taxation	**10,035**	17,840
Deferred taxation – overseas (note 19(a))	**1,003**	2,377
	18,166	25,367

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year ended 31 March 2001. Taxation for overseas subsidiaries is 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	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Provision for Hong Kong Profits Tax for the year	**6,787**	4,425	**–**	–
Provisional Profits Tax paid	**(4,145)**	(1,031)	**–**	(151)
	2,642	3,394	**–**	(151)
Balance of Profits Tax recoverable relating to prior years	**(5)**	(572)	**(151)**	–
Provision for overseas tax	**18,925**	20,469	**–**	–
Tax payable/ (recoverable)	**21,562**	23,291	**(151)**	(151)

[7] DIRECTORS' REMUNERATION

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

	2001	2000
	$'000	$'000
Fees	**370**	370
Salaries and other emoluments	**8,456**	7,652
Discretionary bonuses	**4,925**	6,000
Retirement scheme contributions	**188**	240
	13,939	14,262

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

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 "Directors' interests in shares" in the directors' report.

The remuneration of the directors is within the following bands:

	2001 Number of directors	2000 Number of directors
$		
Nil – 1,000,000	**6**	6
1,000,001 – 1,500,000	**1**	1
1,500,001 – 2,000,000	**1**	–
2,000,001 – 2,500,000	**–**	1
2,500,001 – 3,000,000	**2**	1
3,000,001 – 3,500,000	**–**	1
3,500,001 – 4,000,000	**–**	1
4,000,001 – 4,500,000	**1**	–
	11	11

[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 above. The emoluments in respect of the remaining highest paid employee are as follows:

	2001 $'000	2000 $'000
Salaries and other emoluments	**8,387**	9,742

[9] PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of $249,039,000 (2000: $66,160,000) which has been dealt with in the accounts of the company.

[10] DIVIDENDS

	2001 $'000	2000 $'000
Final dividend for 2000 paid in respect of new shares issued pursuant to share options exercised	**2,317**	–
Interim dividend paid of 12 cents per share (2000: 11 cents per share)	**18,769**	16,649
Special dividend paid of $1.5 per share (2000: $Nil)	**234,618**	–
Final dividend proposed of 32 cents per share (2000: 32 cents per share)	**49,514**	48,216
	305,218	64,865

[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 $141,720,000 (2000: $118,469,000) and the weighted average of 154,062,096 ordinary shares (2000: 151,480,428 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of $141,720,000 (2000: $118,469,000) and the weighted average number of ordinary shares of 154,079,261 (2000: 157,006,283 shares) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	2001 Number of shares	2000 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**154,062,096**	151,480,428
Deemed issue of ordinary shares for no consideration	**17,165**	5,525,855
Weighted average number of ordinary shares used in calculating diluted earnings per share	**154,079,261**	157,006,283

[12] RETIREMENT BENEFITS SCHEME

The company and certain of its Hong Kong subsidiaries operate a defined contribution retirement scheme ("the Scheme") for all qualified employees. The assets of the Scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the Scheme, the employer is required to make contributions to the Scheme calculated at 5% of the employees' basic salaries on a monthly basis, whereas the employees' contributions are optional, at their own discretion. However, following the introduction of the Mandatory Provident Fund ("MPF") on 1 December 2000 such employer contributions are now made 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' service of the original Scheme.

Where there are employees who leave the Scheme prior to vesting fully in the contributions, in accordance with the rules of the Scheme, the forfeited employer's contributions shall be used to reduce the future contributions of the employer or refunded to the employer on request. The amount refunded to the employer during the year was immaterial.

The group's Taiwan subsidiaries participate in a central defined benefit pension scheme providing benefits to all employees in accordance with the Labour Standards Law (as amended) in Taiwan. The group has an obligation to ensure that there are sufficient funds in the scheme to pay the benefits earned. The group currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The contributions are placed with the Central Trust of China, a government institution.

The employees of the subsidiaries in the People's Republic of China ("the PRC") are members of the state-sponsored retirement scheme organised by the government of the PRC. The subsidiaries are required to contribute a certain percentage of payroll to the retirement scheme to fund the benefits. The only obligation of the group with respect to the retirement scheme is the required contributions under the retirement scheme.

[13] FIXED ASSETS

(a) The group

	Land and buildings $'000	Plant and machinery $'000	Leasehold improvements, motor vehicles, furniture and equipment $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:						
At 1 April 2000	122,921	39,491	192,758	355,170	99,400	454,570
Exchange adjustments	(1,361)	(745)	(6,146)	(8,252)	–	(8,252)
Additions	1,535	12,830	44,918	59,283	–	59,283
Disposals	(8,269)	(2,462)	(59,702)	(70,433)	–	(70,433)
Surplus on revaluation	–	–	–	–	1,300	1,300
At 31 March 2001	114,826	49,114	171,828	335,768	100,700	436,468
Representing:						
Cost	83,573	49,114	171,828	304,515	–	304,515
Valuation – 1994	24,053	–	–	24,053	–	24,053
– 1996	5,020	–	–	5,020	–	5,020
– 1998	2,180	–	–	2,180	–	2,180
– 2001	–	–	–	–	100,700	100,700
	114,826	49,114	171,828	335,768	100,700	436,468
Aggregate amortisation and depreciation:						
At 1 April 2000	20,285	21,449	133,689	175,423	–	175,423
Exchange adjustments	(95)	(223)	(4,513)	(4,831)	–	(4,831)
Charge for the year	9,645	7,934	44,749	62,328	–	62,328
Written back on disposal	(4,789)	(1,307)	(56,172)	(62,268)	–	(62,268)
At 31 March 2001	25,046	27,853	117,753	170,652	–	170,652
Net book value:						
At 31 March 2001	89,780	21,261	54,075	165,116	100,700	265,816
At 31 March 2000	102,636	18,042	59,069	179,747	99,400	279,147

(b) The company

	Leasehold improvements, motor vehicles, furniture and equipment $'000
Cost:	
At 1 April 2000	4,008
Additions	2,472
Disposals	(1,232)
At 31 March 2001	5,248
Aggregate amortisation and depreciation:	
At 1 April 2000	3,301
Charge for the year	858
Written back on disposal	(1,232)
At 31 March 2001	2,927
Net book value:	
At 31 March 2001	2,321
At 31 March 2000	707

(c) The analysis of net book value or valuation of land and buildings and investment properties is as follows:

	2001		2000	
	Land and buildings $'000	**Investment properties $'000**	Land and buildings $'000	Investment properties $'000
Long term leases				
– in Hong Kong	**27,156**	**53,000**	27,917	52,000
– outside Hong Kong	**20,435**	**–**	20,771	–
Medium term leases				
– in Hong Kong	**16,592**	**22,000**	17,373	21,200
– outside Hong Kong	**25,597**	**25,700**	34,050	26,200
Short term leases				
– outside Hong Kong	**–**	**–**	2,525	–
	89,780	**100,700**	102,636	99,400

(d) The land and buildings which are stated in the consolidated balance sheet at valuation were previously transferred from investment properties. No revaluation has been made to these assets subsequent to the transfer.

Details of the group's investment properties are as follows:

	Location	Lease term	Existing use
(i)	G/F and M/F, 20 Tai Yau Street, San Po Kong, Kowloon	Medium	Offices and factories
(ii)	G/F, 18 Ng Fong Street, San Po Kong, Kowloon	Medium	Factories and shops
(iii)	No. G29, Site D, Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Long	Shops
(iv)	3/F, 4/F, 7/F and 9/F, Hong Kong (Chai Wan) Industrial Building, 26 Lee Chung Street, Chai Wan, Hong Kong	Long	Factories and warehouses
(v)	Unit B, C, D, G and H on 7/F, and Car Parking Space No. 8 on 1/F, Wah Shun Industrial Building, 4 Cho Yuen Street, Yau Tong, Kowloon	Medium	Offices, factories and warehouses
(vi)	Unit Nos. 2 and 4 on 6/F, and Unit Nos. 1 and 2 on 8/F, Lee Sum Factory Building, 28 Ng Fong Street, Kowloon	Medium	Factories
(vii)	Erhuan Road Central, Chang An Industrial City, Chang An Town, Dongguan, The People's Republic of China	Medium	Factories and warehouses

(e) Investment properties were valued at 31 March 2001 by Chesterton Petty Limited on an open market basis except for item (vii) which was stated at directors' valuation in the absence of readily identifiable market comparables due to the specific purpose for which the buildings and structures have been constructed.

Included in investment properties are certain properties with an aggregate carrying value of $31,500,000 (2000: $8,000,000) which are pledged to banks for obtaining banking facilities amounting to $27,000,000 (2000: $10,000,000).

The net book value of fixed assets includes an amount of $3,403,000 (2000: $3,857,000) in respect of assets held under finance leases.

Pursuant to a supplemental agreement to a Sale and Purchase Agreement regarding the disposal of a subsidiary, Dah Hua Printing Press Company Limited ("Dah Hua") by YGM Printing Inc ("YGMPI"), a subsidiary, to a third party dated 15 November 1996, YGMPI agreed to dispose of the investment property mentioned in item (vii) to the third party as part of the disposal of Dah Hua upon fulfilment of certain conditions, and Dah Hua and its subsidiary, Dongguan Changhua Printing Company Limited ("DCPCL"), will continue to hold the investment property on trust for YGMPI until the satisfaction of these conditions.

On 8 June 2001 a sale and purchase agreement was signed between YGMPI and Dongguan Midas Printing Company Limited ("DMPCL" formerly known as DCPCL) in respect of the aforementioned property. Under the agreement YGMPI shall dispose of the said property to DCPCL for a cash sum and the completion of the sale and purchase shall take place on 31 October 2001 or 31 October 2004, if so elected by DMPCL.

[14] INTEREST IN SUBSIDIARIES

	2001	2000
	$'000	$'000
Unlisted shares, at cost	**31,690**	31,581
Amounts due from subsidiaries	**292,022**	326,164
	323,712	357,745
Amounts due to subsidiaries	**(25,927)**	(23,317)
	297,785	334,428
Less: Provision	**(72,270)**	(72,800)
	225,515	261,628

Details of the principal subsidiaries are set out on pages 78 to 81 .

[15] OTHER FINANCIAL ASSETS

	The group		The company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Held-to-maturity debt securities				
Unlisted debt securities, at cost	**7,799**	–	**7,799**	–
Investment securities				
Unlisted equity securities, at cost	**13,557**	13,557	**–**	–
Less: Provision	**(8,900)**	(8,900)	**–**	–
	4,657	4,657	**–**	–
	12,456	4,657	**7,799**	–

Unlisted equity securities represent the group's investments in two joint ventures in the People's Republic of China.

[16] INVESTMENTS

	The group		The company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Other securities				
Listed equity securities				
– in Hong Kong	**3,666**	*8,266	**3,666**	*8,266
– outside Hong Kong	**36,540**	–	**36,540**	–
	40,206	8,266	**40,206**	8,266
Listed bond funds				
– outside Hong Kong	**6,018**	113,633	**–**	–
	46,224	121,899	**40,206**	8,266
Market value of listed equity securities and bond funds	**46,224**	143,738	**40,206**	30,105

* As at 31 March 2000, the group's listed equity securities in Hong Kong were stated at a discount to their market value, which in the opinion of the directors, represented their fair market value after taking into account the size of the shareholding.

[17] INVENTORIES

	2001 $'000	2000 $'000
The group		
Raw materials	**14,176**	15,970
Work in progress	**1,421**	3,045
Finished goods	**156,328**	134,920
Goods in transit	**10,098**	867
	182,023	154,802

Included in inventories are finished goods of $24,552,000 (2000: $19,627,000), stated net of provisions, made in order to state these inventories at the lower of their cost and estimated net realisable value.

[18] TRADE AND OTHER RECEIVABLES

	The group		The company	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
Debtors, deposits and prepayments	**166,874**	189,915	**1,730**	3,648
Bills receivable	**–**	834	**–**	–
Amount due from related company	**450**	642	**8**	58
Club memberships	**1,225**	1,225	**750**	750
	168,549	192,616	**2,488**	4,456

All of the trade and other receivables, apart from club memberships of $1,225,000 (2000: $1,225,000), are expected to be recovered within one year.

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

	The group		The company	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
Current	**54,939**	88,390	**–**	–
1 to 3 months	**20,157**	9,063	**–**	–
More than 3 months but less than 12 months	**11,069**	652	**–**	–
	86,165	98,105	**–**	–

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.

[19] DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	2001	2000
	$'000	$'000
The group		
At 1 April	**7,462**	9,537
Exchange adjustment	**(21)**	302
Transfer to profit and loss account (note 6(a))	**(1,003)**	(2,377)
Other movement	**(741)**	–
At 31 March	**5,697**	7,462

(b) Major components of the deferred taxation assets/(liabilities) of the group are as follows:

	2001	2000
	$'000	$'000
The group		
Tax losses	**3,809**	3,971
General provision	**1,778**	4,028
Unrealised exchange loss/(gain)	**110**	(537)
	5,697	7,462

[20] CASH AND CASH EQUIVALENTS

	The group		**The company**	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions	**136,626**	221,328	**136,486**	221,328
Cash at bank and in hand	**149,463**	110,505	**15,278**	5,529
	286,089	331,833	**151,764**	226,857

[21] TRADE AND OTHER PAYABLES

	The group		The company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Creditors and accrued charges	**213,400**	195,721	**12,570**	8,890
Bills payable	**3,597**	17,629	**3,597**	3,862
Amounts due to related companies	**5,394**	3,420	**62**	48
	222,391	216,770	**16,229**	12,800

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

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

	The group		The company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Due within 1 month or on demand	**74,041**	134,496	**1,477**	1,828
Due after 1 month but within 3 months	**23,196**	3,110	**1,734**	1,891
Due after 3 months but within 6 months	**386**	143	**386**	143
	97,623	137,749	**3,597**	3,862

[22] BANK LOANS AND OVERDRAFTS

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

	2001	2000
	$'000	$'000
The group		
Within 1 year or on demand	**134,783**	14,052

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

	2001	2000
	$'000	$'000
Unsecured bank overdrafts	**849**	752
Interest bearing bank loans		
– secured*	**27,000**	10,000
– unsecured	**106,934**	3,300
	134,783	14,052

* The bank loans are secured by mortgages on investment properties of the group.

[23] OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2001, the group had obligations under finance leases repayable as follows:

	2001	2000
	$'000	$'000
The group		
Within 1 year	**1,035**	1,360
After 1 year but within 2 years	**58**	978
After 2 years but within 5 years	**130**	–
	1,223	2,338

Obligations under finance leases are included in the consolidated balance sheet as follows:

	2001	2000
	$'000	$'000
The group		
Current portion	**1,035**	1,360
Non-current portion	**188**	978
	1,223	2,338

[24] SHARE CAPITAL

	2001		2000	
	No. of shares ’000	**Amount $’000**	No. of shares ’000	Amount $’000
Authorised:				
Ordinary shares of $0.50 each	**200,000**	**100,000**	200,000	100,000
Issued and fully paid:				
At 1 April	**151,045**	**75,522**	152,138	76,069
Shares issued under share option scheme	**7,570**	**3,785**	–	–
Shares repurchased	**(3,427)**	**(1,714)**	(1,093)	(547)
At 31 March	**155,188**	**77,593**	151,045	75,522

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 (before expenses)** $’000
April 2000	297,000	4.400	4.050	1,241
May 2000	74,000	3.900	3.900	289
September 2000	744,000	4.325	3.700	3,022
October 2000	747,000	4.325	4.150	3,176
November 2000	237,000	4.250	4.250	1,007
December 2000	104,000	5.200	5.000	533
January 2001	386,000	3.800	3.700	1,445
February 2001	332,000	3.850	3.800	1,275
March 2001	506,000	3.750	3.700	1,879
	3,427,000			13,867

The 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 $12,205,000 representing the premium and brokerage expenses 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 $1,714,000 was transferred from the retained profits to the capital redemption reserve. The repurchases were made because the directors were of the opinion that the repurchases would enhance the earnings per share of the company.

Pursuant to ordinary resolutions passed on 14 July 1993 and 13 May 1994, the directors authorised the grant of options at nominal consideration for an aggregate of 13,185,000 and of 780,000 shares respectively, 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 $3.38 per share. The options are exercisable in the periods from 1 October 1993 to 31 December 2001 and from 1 October 1994 to 31 December 2001, respectively. During the year, 7,570,000 share options granted to directors and employees were exercised. Share options granted for the subscription of an aggregate of 115,000 shares were outstanding at 31 March 2001.

[25] RESERVES

(a) The group

	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Land and building revaluation reserve $'000	Investment property revaluation reserve $'000	Retained profits $'000	Total $'000
At 1 April 1999	110,739	1,675	79,217	20,632	36,400	338,965	587,628
Capital reduction on repurchase of own shares	–	547	–	–	–	(547)	–
Premium and expenses on repurchase of own shares	–	–	–	–	–	(3,993)	(3,993)
Deficit on revaluation of investment properties	–	–	–	–	(13,630)	–	(13,630)
Exchange differences on translation of accounts of foreign entities	–	–	–	–	–	2,775	2,775
Revaluation reserve realised on disposal of investment properties	–	–	–	–	(1,658)	–	(1,658)
Trademark rights written off	–	–	–	–	–	(36,121)	(36,121)
Profit for the year	–	–	–	–	–	118,469	118,469
Dividends (note 10)	–	–	–	–	–	(64,865)	(64,865)
At 31 March 2000	110,739	2,222	79,217	20,632	21,112	354,683	588,605
At 1 April 2000	110,739	2,222	79,217	20,632	21,112	354,683	588,605
Shares issued under share option scheme (net of expenses)	21,765	–	–	–	–	–	21,765
Capital reduction on repurchase of own shares	–	1,714	–	–	–	(1,714)	–
Surplus on revaluation of investment properties	–	–	–	–	1,280	–	1,280
Exchange differences on translation of accounts of foreign entities	–	–	–	–	–	(6,482)	(6,482)
Premium and expenses on repurchases of own shares	–	–	–	–	–	(12,205)	(12,205)
Profit for the year	–	–	–	–	–	141,720	141,720
Dividends (note 10)	–	–	–	–	–	(305,218)	(305,218)
At 31 March 2001	132,504	3,936	79,217	20,632	22,392	170,784	429,465

(b) Company

	Share premium $'000	Capital redemption reserve $'000	Retained profits $'000	Total $'000
At 1 April 1999	110,739	1,675	255,811	368,225
Capital reduction on repurchase of own shares	–	547	(547)	–
Premium and expenses on repurchase of own shares	–	–	(3,993)	(3,993)
Profit for the year (note 9)	–	–	66,160	66,160
Dividends (note 10)	–	–	(64,865)	(64,865)
At 31 March 2000	110,739	2,222	252,566	365,527
At 1 April 2000	110,739	2,222	252,566	365,527
Shares issued under share option scheme	21,765	–	–	21,765
Capital reduction on repurchase of own shares	–	1,714	(1,714)	–
Premium and expenses on repurchase of own shares	–	–	(12,205)	(12,205)
Profit for the year	–	–	249,039	249,039
Dividends (note 10)	–	–	(305,218)	(305,218)
At 31 March 2001	132,504	3,936	182,468	318,908

The distributable reserves of the company as at 31 March 2001 was $182,468,000 (2000: $252,566,000).

[26] NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from ordinary activities before taxation to net cash inflow from operating activities

	2001	2000
	$'000	$'000
Profit from ordinary activities before taxation	**203,733**	185,948
Interest income	**(21,616)**	(15,086)
Interest expense	**4,054**	2,013
Finance lease charges	**131**	237
Depreciation	**62,328**	41,946
Overprovision of royalty expenses written back	**–**	(3,200)
Provision for diminution in value of investment securities	**–**	4,900
Net realised and unrealised gains on other securities carried at fair value	**(2,641)**	(7,896)
Gain on disposal of investment properties	**–**	(4,180)
Net loss on disposal of fixed assets	**4,048**	5,813
Dividend income from listed securities	**(429)**	(58)
(Increase)/decrease in inventories	**(27,800)**	59,298
Decrease/(increase) in debtors, deposits and prepayments	**22,276**	(1,332)
Decrease in bills receivable	**834**	6,192
Decrease in amount due from related company	**192**	936
Increase/(decrease) in creditors and accrued charges	**19,260**	(13,193)
Decrease in bills payable	**(14,032)**	(3,374)
Increase in amounts due to related companies	**1,974**	1,247
Foreign exchange	**(8,720)**	1,221
Net cash inflow from operating activities	**243,592**	261,432

(b) Analysis of changes in financing

	Share capital (including premium) $'000	Bank loans $'000	Finance lease obligations $'000	Total $'000
At 1 April 1999	186,808	33,240	3,685	223,733
Repayment of bank loans	-	(20,050)	-	(20,050)
Repayment of finance lease contracts	-	-	(1,347)	(1,347)
Shares repurchased and cancelled	(547)	-	-	(547)
Foreign exchange	-	110	-	110
At 31 March 2000	186,261	13,300	2,338	201,899
At 1 April 2000	186,261	13,300	2,338	201,899
Repayment of bank loans	-	(1,213)	-	(1,213)
New bank loans	-	47,445	-	47,445
Repayment of finance lease contracts	-	-	(1,115)	(1,115)
Shares repurchased and cancelled	(1,714)	-	-	(1,714)
Shares issued	25,550	-	-	25,550
At 31 March 2001	210,097	59,532	1,223	270,852

[27] COMMITMENTS

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

	2001 $'000	2000 $'000
The group		
Contracted for	–	675

(b) At 31 March 2001, the group and company had commitments under operating leases to make payments in the next year as follows:

	2001		2000	
	Properties	**Equipment**	Properties	Equipment
	$'000	**$'000**	$'000	$'000
The group				
Leases expiring:				
Within 1 year	**58,804**	**–**	52,126	–
After 1 year but within 2 years	**56,829**	**–**	67,627	–
After 2 years but within 5 years	**106,690**	**4,059**	87,457	3,086
After 5 years	**–**	**–**	9,962	386
	222,323	**4,059**	217,172	3,472

	2001	2000
	Properties	Properties
	$'000	$'000
The company		
Leases expiring:		
Within 1 year	**85**	6,993

[28] CONTINGENT LIABILITIES

At 31 March 2001, there were contingent liabilities in respect of guarantees given to banks by the company in respect of banking facilities extended to certain subsidiaries amounting to approximately $167 million (2000: $61 million).

[29] 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 and on normal commercial terms:

(a) Transactions with and amounts paid to Yangtzekiang Garment Manufacturing Company Limited, its subsidiaries and associated companies ("Yangtzekiang Garment Manufacturing Group"). (The Chan family is the controlling shareholder of both the Yangtzekiang Garment Manufacturing Group and the group.):

	2001	2000
	$'000	$'000
Purchases of traded products	**11,669**	13,495
Sales of traded products	**2,660**	2,370
Rental payable on properties	**5,172**	6,541
Management fee payable	**804**	804

The 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 administration, business strategy, personnel, legal and company secretarial work, accounting and management services provided. The management fee was determined annually between the respective parties after negotiations having regard to the cost of services provided. Yangtzekiang Garment Manufacturing Group and the group have not entered into any management contract in respect of the said services.

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

	2001	2000
	$'000	$'000
Sales of traded products	**419**	1,377
Purchases of traded products	**–**	169

The sales and purchases of traded products were in the opinion of the directors carried out on prices and terms comparable to those offered to or by independent third party suppliers.

(c) Outstanding balances due from/(to) related companies as at 31 March 2001:

	2001	2000
	$'000	$'000
Amounts due from YGM Marketing Pte Limited	**450**	642
Amounts due to Yangtzekiang Garment Manufacturing Group	**(5,394)**	(3,420)

The outstanding balances with related companies are unsecured, interest-free and repayable on demand.

(d) Transactions with non-wholly owned subsidiaries:

	2001	2000
	$'000	$'000
(1) Guarantees given to banks in respect of credit facilities granted to certain non-wholly owned subsidaries	**131,900**	38,300

Details of the guarantees given in respect of credit facilities granted to non-wholly owned subsidiaries are as follows:

On 25 September 1996 and 14 September 2000, the company issued corporate guarantees to a bank in respect of general banking facilities granted by the bank to Michel Rene Enterprises Limited - Taiwan Branch, Yangtze Apparel Taiwan Enterprises Limited and Hang Ten Enterprises Limited - Taiwan Branch.

Yangtze Apparel Taiwan Enterprises Limited and Hang Ten Enterprises Limited are 63.77% owned by the group and 36.23% owned by independent parties unrelated to the group. Michel Rene Enterprises Limited is 68% owned by the company and 32% owned by independent parties unrelated to the group.

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

[30] COMPARATIVE FIGURES

The presentation and classification of certain comparative figures in the profit and loss account has been adjusted to conform with the current year's presentation.

The restatements largely relate to the reallocation of staff costs from distribution costs to administrative expenses to better reflect the nature of these expenses.