

Notes to Financial Statements

30 September 2001

1. CORPORATE INFORMATION

During the year, the principal activities of the Group were the manufacture, retailing and trading of garments.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

Revised SSAP 14 "Leases" has been adopted for the first time in the preparation of the current year's consolidated financial statements. SSAP 14 prescribes the appropriate accounting policies and disclosures to apply in relation to finance and operating leases. Certain disclosures, as set out in notes 24 and 33(b), have been revised in line with the new requirements.

The adoption of the revised SSAP 14 has had no effect on the previously reported net profit attributable to shareholders, earnings per share or the net assets of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the 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 remeasurement of investment properties and short term investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 September 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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 impairments in values, when they are written down to values determined by the directors.

Joint ventures

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 jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities 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 impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

Associates

An associate is a company, not being a subsidiary or a joint venture, 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 impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Goodwill and capital reserve**

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates and jointly-controlled entities represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. The capital reserve arising on the consolidation of subsidiaries and on the acquisition of associates and jointly-controlled entities represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration paid. On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of the attributable goodwill or capital reserve previously dealt with in reserves is realised and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost 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.

Construction in progress represents buildings under construction and plant and equipment in the process of installation, and is stated at cost and is not depreciated. Cost comprises direct costs of construction and installation. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fixed assets and depreciation (Continued)**

Depreciation is calculated on the straight-line basis to write off the cost 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% to 5%
Leasehold improvements	Over the lease terms
Plant and equipment	9% to 20%
Furniture and fixtures	9% to 25%
Motor vehicles	9% to 25%

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.

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 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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 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. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor 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.

Trademarks

Trademarks are stated at cost and are not amortised. Provisions are made for any impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

Long term investments

Long term investments represent investments in unlisted equity securities intended to be held for a continuing strategic or long term purpose. Such long term investments are stated at cost less any provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged is credited to the profit and loss account to the extent of the amounts previously charged.

NOTES TO FINANCIAL STATEMENTS**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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.

Short term investments

Short term investments are investments in debt securities held for an undetermined period and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Textile quotas

Permanent textile quotas allocated by government authorities are not capitalised and, therefore, not reflected as assets in the balance sheet. Temporary textile quotas are capitalised at cost within current assets and are amortised to the profit and loss account on the basis of their utilisation or upon expiry, whichever is earlier.

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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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, jointly-controlled entities 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 fluctuation reserve.

Retirement benefits scheme

Certain subsidiaries operate different defined contribution retirement benefits schemes for those employees who are eligible to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. For certain schemes, when an employee leaves the schemes prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For certain schemes, the Group's employer contributions vest fully with the employees when contributed into the schemes, except for the Group's voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully.

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.

NOTES TO FINANCIAL STATEMENTS**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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.

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) from the sale of goods, 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 sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (c) rental income, on a straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") is as follows:

	Turnover		Contribution to profit from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacturing and trading	2,110,344	1,828,003	179,081	162,173
Retailing	215,322	24,904	(21,177)	(3,118)
	2,325,666	1,852,907	157,904	159,055

	Turnover		Contribution to profit from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
United States of America	1,798,954	1,632,976	137,831	126,969
Europe	169,015	160,831	7,997	9,655
Greater China	322,072	41,082	7,881	20,097
Others	35,625	18,018	4,195	2,334
	2,325,666	1,852,907	157,904	159,055

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

NOTES TO FINANCIAL STATEMENTS

6. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	1,656,376	1,346,723
Depreciation:		
Owned fixed assets	28,308	15,412
Leased fixed assets	172	187
	28,480	15,599
Auditors' remuneration:		
Current year	2,849	2,641
Prior years' over provision	(2)	(251)
	2,847	2,390
Foreign exchange losses, net	6,430	2,911
Temporary textile quota expenses	8,608	15,651
Minimum lease payments under operating lease rentals of equipment	122	282
Operating lease rentals of land and buildings:		
Minimum lease payments	68,829	14,092
Contingent rents	–	–
	68,829	14,092
Provision against a long term investment	–	3,000
Loss on disposal of fixed assets	3,169	44
Staff costs (including directors' remuneration – note 8):		
Retirement benefits contributions	4,948	679
Less: Forfeited contributions	–	–
Net retirement benefits contributions *	4,948	679
Wages, salaries and bonuses	323,436	206,651
	328,384	207,330

NOTES TO FINANCIAL STATEMENTS

6. PROFIT FROM OPERATING ACTIVITIES (Continued)

	2001	2000
	HK\$'000	HK\$'000
and after crediting:		
Gross rental income from investment properties	5,175	–
Less: Outgoings	(1,081)	–
Net rental income	4,094	–
Interest income	11,824	18,101
Write back of provision against a long term investment	675	–
Gain on disposal of a long term investment	240	–

* At 30 September 2001, there were no forfeited contributions available to the Group to reduce its contributions to the retirement benefits scheme in future years (2000: Nil).

7. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	25,205	14,863
Interest on finance leases and hire purchase contracts	331	44
Factoring expenses	5,778	5,522
Bank charges	6,290	7,131
	37,604	27,560

NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees	720	640
Salaries, allowances and benefits in kind	13,670	11,113
Performance related bonuses	4,650	7,900
Retirement benefits contributions	435	–
	19,475	19,653

Fees include HK\$160,000 (2000: HK\$160,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	4	5
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	2	2
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	1	–
HK\$9,500,001 to HK\$10,000,000	–	1
	9	9

NOTES TO FINANCIAL STATEMENTS

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2000: four) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining non-director, highest paid employee in the prior year are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	–	1,655
Performance related bonuses	–	1,000
	–	2,655

10. TAX

	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	2,970	1,200
Elsewhere	2,234	433
Overprovision in prior years	(326)	(327)
Deferred – note 27	1,230	1,220
	6,108	2,526
Share of tax attributable to:		
Jointly-controlled entities	775	1,018
Associates	9	–
	784	1,018
Tax charge for the year	6,892	3,544

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the 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.

NOTES TO FINANCIAL STATEMENTS

11. 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\$60,586,000 (2000: HK\$99,582,000).

12. DIVIDENDS

	2001	2000
	HK\$'000	HK\$'000
Interim – 7 (2000: 7) HK cents per ordinary share	21,834	21,348
Proposed final – 8 (2000: 12.8) HK cents per ordinary share	24,955	39,926
	46,789	61,274

The proposed final dividend for the year ended 30 September 2001 will be satisfied by the allotment of new shares in the Company, credited as fully paid, by way of scrip dividend of 1 new share for every 20 shares with a conditional option to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such entitlement.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$101,880,000 (2000: HK\$133,883,000) and the weighted average of 311,940,758 (2000: 320,971,615) 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\$101,880,000 (2000: HK\$133,883,000). The weighted average number of ordinary shares used in the calculation is 311,940,758 (2000: 320,971,615) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 10,458,802 (2000: 8,838,850) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

NOTES TO FINANCIAL STATEMENTS

14. FIXED ASSETS

Group

	Land and buildings (Hong Kong) HK\$'000	Land and buildings (Elsewhere) HK\$'000	Construction in progress HK\$'000	Leasehold improve- ments HK\$'000	Plant and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:								
At beginning of year	17,555	63,562	-	43,236	99,159	56,608	14,756	294,876
Acquisition of subsidiaries	-	39,608	1,891	442	72,846	3,599	3,935	122,321
Additions	19,065	6,591	24,353	12,928	11,151	2,653	4,349	81,090
Transfers	-	10,791	(18,069)	-	5,676	1,602	-	-
Disposals	-	(1,167)	-	(26,620)	(4,769)	(2,715)	(1,070)	(36,341)
Exchange realignments	-	821	-	(1,534)	532	144	64	27
At 30 September 2001	36,620	120,206	8,175	28,452	184,595	61,891	22,034	461,973
Accumulated depreciation:								
At beginning of year	3,941	11,233	-	30,852	63,834	47,607	11,828	169,295
Acquisition of subsidiaries	-	7,035	-	188	18,484	1,525	1,734	28,966
Provided during the year	708	3,549	-	6,364	13,035	2,957	1,867	28,480
Disposals	-	(258)	-	(24,681)	(1,927)	(2,696)	(718)	(30,280)
Exchange realignments	-	150	-	(1,209)	(177)	106	36	(1,094)
At 30 September 2001	4,649	21,709	-	11,514	93,249	49,499	14,747	195,367
Net book value:								
At 30 September 2001	31,971	98,497	8,175	16,938	91,346	12,392	7,287	266,606
At 30 September 2000	13,614	52,329	-	12,384	35,325	9,001	2,928	125,581

The net book value of the fixed assets of the Group held under finance leases included in the total amount of motor vehicles at 30 September 2001 amounted to HK\$939,000 (2000: HK\$685,000).

NOTES TO FINANCIAL STATEMENTS

14. FIXED ASSETS (Continued)

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong	Elsewhere	Total
	HK\$'000	HK\$'000	HK\$'000
Long term leases	–	2,879	2,879
Medium term leases	36,620	115,933	152,553
Short term leases	–	1,394	1,394
	<u>36,620</u>	<u>120,206</u>	<u>156,826</u>

15. INVESTMENT PROPERTIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	–	–
Additions	28,787	–
Revaluation surplus	213	–
At end of year	<u>29,000</u>	–

The Group's investment properties are situated in Hong Kong and are held under medium term leases. The investment properties were revalued on 30 September 2001 by Centaline Surveyors Limited, an independent professional valuer, on an open market, existing use basis.

The Group leases investment properties under operating lease arrangements. The average term of the leases is two years.

NOTES TO FINANCIAL STATEMENTS

15. INVESTMENT PROPERTIES (Continued)

At 30 September 2001, the future minimum lease receivables under the leases were as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Amounts receivable under operating leases:		
Within one year	4,623	–
In the second to fifth years, inclusive	4,191	–
	<hr/> 8,814 <hr/>	<hr/> – <hr/>
Total minimum lease receivables	8,814	–

16. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	126,671	126,671
Due from subsidiaries	307,632	269,339
	<hr/> 434,303 <hr/>	<hr/> 396,010 <hr/>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Access Agents Limited	British Virgin Islands/ The People's Republic of China	US\$ 1	100	100	Garment retailing
Angel Star Investment Limited	Hong Kong	HK\$2 ordinary HK\$2 non-voting deferred	75	75	Holding of trademarks
August Silk (BVI) Limited	British Virgin Islands/ The People's Republic of China	US\$ 1	100	100	Garment trading
August Silk (H.K.) Limited	Hong Kong	HK\$2	100	100	Garment trading
August Silk Inc.	USA	US\$10	100	100	Marketing and garment trading
Bramead International Inc.	British Virgin Islands	US\$ 1	100	100	Development and holding of trademarks
Cantabian Limited	Hong Kong	HK\$2 ordinary HK\$2 non-voting deferred	100	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Dongguan Daliwai Fashion Co., Ltd.	The People's Republic of China	HK\$28,000,000	100	100	Garment manufacturing
Dong Guan Sanyue Fashions Ltd.	The People's Republic of China	HK\$10,000,000	69	69	Garment manufacturing
Fuli Garments (Hangzhou) Co., Ltd.	The People's Republic of China	HK\$1,000,000	60	60	Manufacturing and trading of garments and garment accessories
Granwick International Limited	Hong Kong	HK\$2	75	75	Investment holding
Guangdong Theme-Huayu Fashion Company Limited	The People's Republic of China	RMB5,000,000	36.75+	36.75+	Garment retailing
Hangzhou OCT & High Fashion Textile Co., Ltd.	The People's Republic of China	RMB3,000,000	60	36+	Garment manufacturing
Hangzhou Westlake High Fashion Industry Co., Ltd. δ	The People's Republic of China	RMB33,192,800	100	60	Garment manufacturing
High Fashion Garments, Inc.	USA	US\$5,000	100	100	Marketing and garment trading

NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
High Fashion Apparel Limited	British Virgin Islands	US\$1,000	100	100	Investment holding
High Fashion Garments Company Limited	Hong Kong	HK\$2 ordinary HK\$10,000,000 non-voting deferred	100	100	Garment trading
High Fashion Garments Limited	British Virgin Islands/ The People's Republic of China	US\$1	100	100	Garment manufacturing and trading
High Fashion Garments Management Limited	Hong Kong	HK\$20 ordinary HK\$20 non-voting deferred	100	100	Provision of management services
High Fashion International (USA) Inc.	USA	US\$1,800	100	100	Investment holding
High Fashion Knitwear (F.E.) Limited	British Virgin Islands/ The People's Republic of China	US\$1	100	100	Garment trading
High Fashion Knitwear Overseas Limited	Hong Kong	HK\$2 ordinary HK\$10,000 non-voting deferred	100	100	Garment trading
High Fashion Outerwear Limited	Hong Kong	HK\$2	100	100	Garment trading

NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
High Fashion Overseas Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion Trading Company Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion (UK) Limited	United Kingdom	GB£20,000	70.5	70.5	Garment trading
Honghuali Garments Accessory (Shenzhen) Co., Ltd.	The People's Republic of China	RMB2,160,000	60	60	Manufacturing of garment accessories
Mateland Limited	Hong Kong	HK\$2	100	100	Garment retailing
Navigation Limited	British Virgin Islands	US\$1	100	100	Investment holding
Shanghai Theme Fashion Company	The People's Republic of China	RMB3,000,000	36.75+	36.75+	Garment retailing
Stage II Limited	Hong Kong	HK\$800,000	75	75	Garment retailing
Super Base (China) Limited	Hong Kong	HK\$2	75	75	Property holding
Taiwan Vision Company Limited	Taiwan	NTD80,000,000	75	52.5	Garment retailing
Theme (China) Limited	Hong Kong	HK\$2	75	75	Investment holding

NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Theme International Holdings (B.V.I.) Limited	British Virgin Islands/ Hong Kong	US\$10,001	75	75	Investment holding
Theme International Holdings Limited	Bermuda/ Hong Kong	HK\$25,083,294	75	75	Investment holding
Theme International Limited	Hong Kong	HK\$2 ordinary HK\$1,000,000 non-voting deferred	75	75	Garment trading
Wescorp Limited	Hong Kong	HK\$82,208,893	42	42	Investment holding
Wortheme Investment Limited	Hong Kong	HK\$12	75	75	Investment holding
U-campus e-enterprises Limited	Hong Kong	HK\$2	100	100	Portal business
U-campus Holdings Limited	Hong Kong	HK\$2	100	100	Garment retailing
Zhejiang High Fashion Kaidi Silk Co., Ltd.	The People's Republic of China	RMB51,828,660	100	–	Dyeing, printing and sandwashing of fabrics
Zhejiang Xinchang High Fashion Silk Co., Ltd. δ	The People's Republic of China	RMB50,219,630	100	70	Silk weaving

@ Unless otherwise stated, the place of operations is the place of incorporation or registration.

+ These companies are subsidiaries of the non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of control over the companies.

δ These companies were reclassified from interests in jointly-controlled entities because of the change in the Group's interests during the year.

NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES (Continued)

All subsidiaries are indirectly held by the Company with the exception of High Fashion Apparel Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	14,585	73,515
Due from jointly-controlled entities	21,594	11,412
Due to jointly-controlled entities	(3,170)	(5,441)
	33,009	79,486
Less: Provision against an amount due from a jointly-controlled entity	(14,003)	–
	19,006	79,486

The amounts due from/to the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power of the Board	Profit sharing	
High Fashion Garments (Zhong Shan) Limited *	Corporate	The People's Republic of China	51	50	100	Garment manufacturing
High Fashion Zhongshan Printing, Dyeing and Garments Manufacturing Ltd. *	Corporate	The People's Republic of China	51	50	100	Dyeing, printing and sandwashing of fabrics
Shenzhen Chengyi Trade Co., Ltd.	Corporate	The People's Republic of China	60	56	60	Dormant
Suzhou High Fashion Garment Co., Ltd.	Corporate	The People's Republic of China	51	60	51	Garment manufacturing

All of the above investments in jointly-controlled entities are indirectly held by the Company.

* The Group has a 51% beneficial interest in these companies. By virtue of an arrangement between the Group and the joint venture partner holding the remaining 49% beneficial interest in the companies, the Group is entitled to all of the companies' profits and is liable for all of their losses by paying a fixed fee to the joint venture partner annually.

NOTES TO FINANCIAL STATEMENTS

18. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	15,358	13,233
Due from associates	1,901	3,302
Due to associates	(7,756)	(10,536)
	9,503	5,999

The amounts due from/to the associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen Fuli Garments Accessory Co., Ltd.*	Corporate	The People's Republic of China	70	Manufacturing of garment accessories
Strait Approach Pte. Limited+	Corporate	Singapore	36.75	Garment trading and retailing

* The proportion of the voting power of the associate's board of directors held by the Group and the Group's profit sharing ratio were 43% and 70%, respectively.

+ Not audited by Ernst and Young.

The investments in the associates are indirectly held by the Company.

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.

NOTES TO FINANCIAL STATEMENTS

19. LONG TERM INVESTMENTS

	2001	Group 2000
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	14,118	19,078
Less: Provision for impairments in values	(325)	(4,000)
	13,793	15,078

Particulars of certain of the Group's long term investments are as follows:

Name	Place of registration and operations	Percentage of equity interest attributable to the Group
Zhoushan High Fashion Silk Spinning & Clothing Co., Ltd.	The People's Republic of China	30.0#
Zhoushan High Fashion Knitting Co., Ltd.	The People's Republic of China	30.0#

The interests in these companies have not been accounted for as associates because the Group does not have significant influence over these companies.

NOTES TO FINANCIAL STATEMENTS

20. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Overseas listed debt securities, at market value	23,452	–

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$24,260,000.

21. TRADE RECEIVABLES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current to 90 days	250,952	225,697
91 to 180 days	5,809	3,342
181 to 360 days	2,849	1,744
Over 360 days	812	790
	260,422	231,573

The Group allows an average credit period of 30 to 60 days to its trade debtors.

22. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	101,848	55,842
Work in progress	41,298	20,850
Finished goods	159,332	120,931
	302,478	197,623

The carrying amount of inventories carried at net realisable value included in the above is HK\$40,532,000 (2000: HK\$44,459,000).

NOTES TO FINANCIAL STATEMENTS

23. BANK LOANS AND OVERDRAFTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank overdrafts, unsecured	1,086	4,805
Bank loans, unsecured	179,264	–
Bank loans, secured	10,235	2,190
Trust receipt loans, unsecured	137,699	82,243
	328,284	89,238
Portion classified as current liabilities	(306,284)	(89,238)
Long term portion	22,000	–
Amounts payable:		
Within one year or on demand	306,284	89,238
In the second year	8,000	–
In the third to fifth years, inclusive	14,000	–
	328,284	89,238

At 30 September 2001, the secured bank loans were secured by mortgages over certain of the Group's land and buildings and plant and equipment which had an aggregate net book value of approximately HK\$2,342,000 (2000: HK\$2,448,000) and HK\$17,779,000 (2000: Nil), respectively.

NOTES TO FINANCIAL STATEMENTS

24. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms of three years.

At 30 September 2001, the future minimum lease payments under finance leases and hire purchase contracts and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts payable:				
Within one year	483	272	433	246
In the second year	267	216	252	214
In the third to fifth years, inclusive	57	–	55	–
Total minimum lease payments	807	488	740	460
Future finance charges	(67)	(28)		
Total net finance lease and hire purchase contract payables	740	460		
Portion classified as current liabilities	(433)	(246)		
Long term portion	307	214		

25. OTHER LOANS, SECURED

The prior year's other loans bore interest at 2% over the base rate in the United Kingdom and were secured by certain of the Group's trade receivables amounting to HK\$21,042,000 at 30 September 2000.

NOTES TO FINANCIAL STATEMENTS

26. TRADE PAYABLES AND ACCRUED PURCHASES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Trade payables:		
Current to 90 days	106,077	120,918
91 to 180 days	12,820	5,134
181 to 360 days	9,763	6,611
Over 360 days	8,299	11,643
	136,959	144,306
Accrued purchases	61,048	19,812
	198,007	164,118

27. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at beginning of year	2,200	980
Charge for the year – <i>note 10</i>	1,230	1,220
At 30 September	3,430	2,200

NOTES TO FINANCIAL STATEMENTS

27. DEFERRED TAX (Continued)

The principal components of the Group's provision for deferred tax and the net deferred tax asset not recognised in the financial statements are as follows:

	Provided		Not provided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	3,630	3,000	104	38
Tax losses	(200)	(900)	(108,788)	(105,033)
Others	–	100	–	(138)
	3,430	2,200	(108,684)	(105,133)

The Company had no significant potential deferred tax liabilities for which provision has not been made.

28. SHARE CAPITAL**Shares**

	2001 HK\$'000	2000 HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
<i>Issued and fully paid:</i>		
311,923,630 (2000: 312,335,630) ordinary shares of HK\$0.10 each	31,192	31,234

NOTES TO FINANCIAL STATEMENTS

28. SHARE CAPITAL (Continued)

During the year, the Company repurchased 412,000 (2000: 22,902,000) ordinary shares of HK\$0.10 each of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of shares	Price per share		Total price
		Highest HK\$	Lowest HK\$	paid HK\$'000
October 2000	412,000	1.38	1.33	564

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$522,000 (2000: HK\$24,887,000) has been charged to the retained profits. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Share options

On 18 March 1994, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees and executive directors of the Group to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for a period of ten years from the date of its adoption.

During the year ended 30 September 1999, the Company granted a total of 15,200,000 share options which entitle the holders to subscribe for shares in the Company. 40% of the share options granted are exercisable during the period from 5 May 2002 to 4 May 2009, 30% of the share options granted are exercisable during the period from 5 May 2003 to 4 May 2009 and the remaining 30% of the share options granted are exercisable during the period from 5 May 2004 to 4 May 2009. The subscription price per share payable upon the exercise of each option is HK\$0.505, subject to adjustment. The exercise in full of the 15,200,000 share options outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 15,200,000 additional shares of HK\$0.10 each.

NOTES TO FINANCIAL STATEMENTS

29. RESERVES

Group

	Share premium account	Exchange fluctuation reserve	Reserve funds*	Capital reserve/ (goodwill)	Capital redemption reserve	Investment properties revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 1999	275,941	(4,670)	8,984	730	2,371	-	210,186	493,542
Transfer from retained profits	-	-	87	-	2,290	-	(2,377)	-
Premium paid on repurchase of shares	-	-	-	-	-	-	(24,887)	(24,887)
Exchange realignments	-	1,642	-	-	-	-	-	1,642
Retained profit for the year	-	-	-	-	-	-	72,609	72,609
Goodwill on acquisition	-	-	-	(58,671)	-	-	-	(58,671)
At 30 September 2000 and beginning of year	275,941	(3,028)	9,071	(57,941)	4,661	-	255,531	484,235
Transfer from retained profits	-	-	2,411	-	42	-	(2,453)	-
Premium paid on repurchase of shares	-	-	-	-	-	-	(522)	(522)
Exchange realignments	-	935	125	-	-	-	-	1,060
Revaluation surplus	-	-	-	-	-	213	-	213
Retained profit for the year	-	-	-	-	-	-	55,091	55,091
Capital reserve on acquisition	-	-	-	5,330	-	-	-	5,330
At 30 September 2001	275,941	(2,093)	11,607	(52,611)	4,703	213	307,647	545,407
Reserves retained by:								
Company and subsidiaries	275,941	(1,632)	9,292	(52,611)	4,703	213	328,962	564,868
Jointly-controlled entities	-	(735)	622	-	-	-	(30,443)	(30,556)
Associates	-	274	1,693	-	-	-	9,128	11,095
At 30 September 2001	275,941	(2,093)	11,607	(52,611)	4,703	213	307,647	545,407

NOTES TO FINANCIAL STATEMENTS

29. RESERVES (Continued)

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds* HK\$'000	Capital reserve/ (goodwill) HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company and subsidiaries	275,941	(3,170)	3,866	(58,671)	4,661	-	262,184	484,811
Jointly-controlled entities	-	17	3,528	730	-	-	(13,781)	(9,506)
Associates	-	125	1,677	-	-	-	7,128	8,930
At 30 September 2000	275,941	(3,028)	9,071	(57,941)	4,661	-	255,531	484,235

* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's jointly-controlled entities and associates in the People's Republic of China has been transferred to reserve funds which are restricted as to use.

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 1999	275,941	101,171	16,521	2,371	14,538	410,542
Transfer from retained profits	-	-	-	2,290	(2,290)	-
Premium paid on repurchase of shares	-	-	-	-	(24,887)	(24,887)
Profit for the year	-	-	-	-	99,582	99,582
Dividends	-	-	-	-	(61,274)	(61,274)
At 30 September 2000 and beginning of year	275,941	101,171	16,521	4,661	25,669	423,963
Transfer from retained profits	-	-	-	42	(42)	-
Premium paid on repurchase of shares	-	-	-	-	(522)	(522)
Profit for the year	-	-	-	-	60,586	60,586
Dividends	-	-	-	-	(46,789)	(46,789)
At 30 September 2001	275,941	101,171	16,521	4,703	38,902	437,238

NOTES TO FINANCIAL STATEMENTS

29. RESERVES (Continued)

The contributed surplus of the Company arose as a result of the Group's reorganisation in 1992 and represented the excess of the fair value of the subsidiaries' net assets acquired over the nominal value of the Company's shares issued in exchange therefor. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$'000	HK\$'000
Profit from operating activities	157,904	159,055
Interest income	(11,824)	(18,101)
Provision/(write back of provision) against long term investments	(675)	3,000
Gain on disposal of a long term investment	(240)	–
Depreciation	28,480	15,599
Loss on disposal of fixed assets	3,169	44
Decrease/(increase) in bills receivable	11,977	(10,100)
Decrease/(increase) in trade receivables	9,899	(84,493)
Increase in inventories	(13,637)	(20,066)
Decrease/(increase) in deposits, prepayments and other receivables	(54,535)	2,314
Decrease/(increase) in amounts due from jointly- controlled entities	22,471	(42,112)
Increase in trust receipt loans	19,467	23,591
Increase/(decrease) in bills payable	(10,051)	18,541
Increase/(decrease) in trade payables and accrued purchases	(6,178)	19,955
Increase/(decrease) in other payables and accruals	(38,055)	19,826
Increase in amounts due to associates	953	569
Increase in amounts due to jointly-controlled entities	18,871	1,486
Net cash inflow from operating activities	137,996	89,108

NOTES TO FINANCIAL STATEMENTS

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Bank and other loans	Finance lease and hire purchase contract payables	Minority interests	Share capital (including share premium)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 1999	7,734	650	15,181	309,465
Cash outflow from financing activities, net	(4,674)	(189)	–	(27,177)
Premium paid on repurchase of shares	–	–	–	24,887
Share of profit for the year	–	–	648	–
Exchange realignments	(620)	(49)	272	–
Acquisition of subsidiaries	3,265	48	2,799	–
At 30 September 2000 and beginning of year	5,705	460	18,900	307,175
Cash inflow/(outflow) from financing activities, net	58,517	(698)	–	(564)
Premium paid on repurchase of shares	–	–	–	522
Inception of finance lease contracts	–	978	–	–
Share of profit for the year	–	–	716	–
Exchange realignments	1,165	–	146	–
Acquisition of subsidiaries	124,112	–	–	–
At 30 September 2001	189,499	740	19,762	307,133

NOTES TO FINANCIAL STATEMENTS

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	93,355	19,633
Cash and bank balances	39,308	13,980
Bills receivable	–	1,171
Trade receivables	38,748	16,159
Inventories	91,218	26,157
Deposits, prepayments and other receivables	36,799	19,737
Bank loans	(124,112)	(3,265)
Bank overdrafts	–	(2,143)
Hire purchase contract payables	–	(48)
Bills payable	–	(1,524)
Trade payables and accrued purchases	(40,067)	(40,254)
Tax payable	(2,320)	(3,384)
Other payables and accruals	(57,176)	(25,398)
Amount due to an associate	–	(516)
Minority interests	–	(2,799)
Net amounts due from/(to) the Group	13,831	(10,000)
	89,584	7,506
Goodwill/(capital reserve) on acquisition	(7,337)	58,671
	82,247	66,177
Satisfied by:		
Cash consideration	22,867	65,275
Transfer of interests in jointly-controlled entities to subsidiaries	59,380	902
	82,247	66,177

NOTES TO FINANCIAL STATEMENTS

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries (Continued)

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2001	2000
	HK\$'000	HK\$'000
Cash consideration	(22,867)	(65,275)
Cash and bank balances acquired	39,308	13,980
Bank overdrafts acquired	–	(2,143)
Amount due to the Group acquired	–	(10,000)
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	16,441	(63,438)

The subsidiaries acquired during the year paid HK\$1,267,000 (2000: HK\$8,030,000) and received HK\$32,264,000 (2000: HK\$1,112,000) in respect of the Group's net operating cash flows and financing activities for the year, respectively.

They contributed HK\$67,275,000 (2000: HK\$26,673,000) to the Group's turnover and contributed HK\$15,123,000 (2000: utilized HK\$458,000) in respect of the net profit attributable to shareholders for the year.

(d) Non-cash transactions

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\$978,000 (2000: Nil).

31. PLEDGE OF ASSETS

At the balance sheet date, certain subsidiaries have pledged trade receivables amounting to HK\$94,607,000 (2000: HK\$114,533,000), land and buildings amounting to HK\$2,342,000 (2000: HK\$2,448,000) and plant and equipment amounting to HK\$17,779,000 (2000: Nil) to factoring houses and banks to secure borrowing facilities granted to them.

NOTES TO FINANCIAL STATEMENTS

32. 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
Bank guarantees given in lieu of utility, property rental and other service deposits	1,081	2,805	–	–
Bills discounted with recourse	30,456	31,434	–	–
Trade receivables factored with recourse	187	736	–	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	635,736	596,000
Jointly-controlled entities	–	37,383	–	–
Third party	21,226	–	–	–
	52,950	72,358	635,736	596,000

As at 30 September 2001, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$200 million (2000: HK\$86 million).

NOTES TO FINANCIAL STATEMENTS

32. CONTINGENT LIABILITIES (Continued)

In addition, the Group's share of contingent liabilities of a jointly-controlled entity not included in the above was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to a third party	–	27,073

33. COMMITMENTS

(a) Capital commitments in respect of capital expenditure not provided for in the financial statements were as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Contracted, but not provided for	76,450	44,116

In addition, the Group's share of capital commitments of its jointly-controlled entities not included in the above was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Authorised, but not contracted for	82	1,682

NOTES TO FINANCIAL STATEMENTS

33. COMMITMENTS (Continued)

- (b) The Group leases certain of its office properties, equipment and retail shops under operating lease arrangements. These leases are negotiated for terms ranging from one to six years. Under certain lease agreements for the retail shops, contingent rentals in excess of the minimum lease payments are payable if the turnover of such retail shops reaches a pre-determined level.

At 30 September 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings:		
Within one year	45,000	37,499
In the second to fifth years, inclusive	63,906	45,355
After five years	19,201	6,049
	128,107	88,903
Equipment:		
Within one year	118	204
In the second to fifth years, inclusive	41	181
	159	385
	128,266	89,288

In addition, the Group's share of commitments under operating leases of its jointly-controlled entities not included in the above was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings:		
Within one year	–	1,856
In the second to fifth years, inclusive	–	4,181
After five years	–	9,494
	–	15,531

NOTES TO FINANCIAL STATEMENTS

33. COMMITMENTS (Continued)

- (c) At the balance sheet date, the Group had entered into agreements for forward sales of United States dollars equivalent to HK\$39,619,000 (2000: HK\$134,509,000) for the hedging of foreign currency trade debts in the ordinary course of business.

At the balance sheet date, the Company did not have any significant commitments.

34. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2001	2000
	<i>Notes</i>	HK\$'000	HK\$'000
Purchases of raw materials and finished goods			
from jointly-controlled entities	<i>(i)</i>	314,433	527,706
Purchases of raw materials and finished goods			
from an associate	<i>(i)</i>	5,321	3,057
Professional fees paid to Wilkinson & Grist	<i>(ii)</i>	388	1,488

Notes:

- (i) The purchases of raw materials and finished goods were made according to the published prices and conditions offered to the major customers of the supplier, except that a longer credit period was usually granted.
- (ii) The professional fees related to the provision of secretarial and legal advisory services and were charged according to the fee rates and conditions similar to those offered to other customers of Wilkinson & Grist. Mr. Chan Wah Tip, Michael, a director of the Company, is a partner of Wilkinson & Grist.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 14 January 2002.