

1. CORPORATE INFORMATION

During the period, the principal activities of the Group were the manufacturing, retailing and trading of garments.

In the opinion of the directors, the ultimate holding company is High Fashion, which is incorporated in Bermuda with limited liability and listed on The Stock Exchange of Hong Kong Limited.

2. CORPORATE UPDATE

On 5 June 2000, Belion Limited (“Belion”) assigned the amount due to it by the Group to Navigation Limited (“Navigation”), a subsidiary of High Fashion, and the Company and certain of its subsidiaries entered into a Debt Restructuring and Subscription Agreement (the “Debt Restructuring Agreement”) (as supplemented by supplemental agreements dated 15 June and 8 July 2000) with Navigation. The Debt Restructuring Agreement was approved at a special general meeting of the Company held on 28 August 2000. On 31 August 2000, the Debt Restructuring Agreement became effective.

The principal terms of the Debt Restructuring Agreement included inter alia:

- (i) The share capital of the Company was cancelled to the extent of HK\$0.09 per share so that each of the 627,082,352 shares in issue as at 31 March 2000 was treated as one fully paid up share of HK\$0.01 each and every unissued share was subdivided into ten shares of HK\$0.01 each.

2. CORPORATE UPDATE – continued

- (ii) The amounts owing by the Group to Navigation upon completion of the Debt Restructuring Agreement (“Completion”) were discharged by Navigation as follows:
- HK\$2 million was discharged by Navigation agreeing to have recourse solely against the assets of The Shop Clothing Limited, a wholly owned subsidiary of the Company which is under liquidation pursuant to a court order dated 10 March 1999.
 - approximately HK\$166 million was discharged by Navigation in consideration of the Company issuing to Navigation 1,881,247,050 new shares at HK\$0.088 each, representing about 75% of the enlarged issued share capital of the Company after Completion.
 - approximately HK\$66 million was discharged by Navigation in consideration of the Company issuing to Navigation 20 non-interest bearing convertible notes of approximately HK\$3.3 million each. The convertible notes carry the right to convert into 752,498,000 new shares at the conversion price of HK\$0.088 each and are convertible either in whole, or in part at any time from the first anniversary to the fifth anniversary following the Completion.
 - Navigation extended an unsecured, interest bearing loan facility of HK\$30 million (the “New Loan”) to the Company. HK\$10 million of this loan was utilised to partly repay the principal amount of HK\$30 million drawn by the Company under the secured loan facility provided by Belion on 6 January 2000. The amount of drawn down by the Company from this facility as at 30 September 2001 was HK\$28 million. The New Loan is not repayable before the third anniversary following Completion, except upon the occurrence of an event of default by the Group.
 - The remaining balance owed to Navigation was waived by Navigation upon Completion.
- (iii) The various debentures issued by the Group under the Standstill Agreement and assigned by the participating banks to Navigation pursuant to the Bank Debt Purchase Agreement were released by Navigation.

As a result of the foregoing Debt Restructuring, the directors are of the opinion that together with other measures currently being undertaken by the directors, the Group can meet its future working capital and financing requirements.

3. CHANGE OF FINANCIAL YEAR END DATE

In order to be coterminous with the financial year end date of the Company's ultimate holding company, the financial year end date of the Company was changed from 31 March to 30 September with effect from 1 April 2000. These financial statements cover a period of eighteen months from 1 April 2000 to 30 September 2001. Accordingly, the comparative amounts presented for the profit and loss account, statement of recognised gains and losses, cash flow statement and related notes in respect of the financial year ended 31 March 2000 are not for a comparable time period.

4. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period from 1 April 2000 to 30 September 2001 except for subsidiaries operating under severe restrictions which are not consolidated. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company 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.

The Group's interests in subsidiaries operating under severe restrictions which significantly impair the Group's control over the assets and operations of those subsidiaries are stated in the Group's consolidated balance sheet at the Group's share of the subsidiaries' net assets at the date of their exclusion from consolidation, less provisions for diminution in value which is other than temporary as determined by the directors. Following their exclusion from consolidation, the results of these subsidiaries are included in the Group's profit and loss account only to the extent of dividends received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 impairments in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Goodwill and capital reserve

Goodwill arising on consolidation represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets of a subsidiary acquired and is eliminated against reserves in the year of acquisition. The capital reserve arising on consolidation represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration paid. On disposal of a subsidiary, 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 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.

4. 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 and buildings	Over the lease terms or 50 years whichever is less
Plant and equipment	15%
Furniture and fixtures at	
(i) Shops	Over the lease terms
(ii) Sales counter and office	20%
Office equipment	20%
Motor vehicles	20%

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.

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 within the lessor are accounted for as operating lease. Rental applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Long term investment

Long term investment represents non-trading investment in unlisted equity securities intended to be held for long term purposes. Such long term investment is stated at cost less any provision for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature, on individual basis.

When such impairments in value 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.

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.

Deferred tax

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

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**Retirement benefits scheme**

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

Cash equivalents

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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) commission income, when services are rendered to the customers;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (d) rental income, on a straight line basis over the term of the lease.

5. SEGMENT INFORMATION

The Group's turnover and contribution to loss from operating activities were all derived from the manufacturing, retailing and trading of garments.

An analysis of the Group's turnover and contribution to loss from operating activities by geographical area of operations, disclosed pursuant to the requirements of the Listing Rules, is as follows:

	Turnover		Contribution to loss from operating activities	
	Period from 1 April 2000 to 30 September 2001 <i>HK\$'000</i>	Year ended 31 March 2000 <i>HK\$'000</i>	Period from 1 April 2000 to 30 September 2001 <i>HK\$'000</i>	Year ended 31 March 2000 <i>HK\$'000</i>
People's Republic of China ("PRC")				
Hong Kong	74,661	38,706	(9,325)	(2,418)
Mainland	110,438	94,052	(1,620)	(11,188)
Taiwan	123,629	122,997	(3,732)	(13,308)
	<u>308,728</u>	<u>255,755</u>	<u>(14,677)</u>	<u>(26,914)</u>

6. TURNOVER

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

7. LOSS FROM OPERATING ACTIVITIES

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

	Period from 1 April 2000 to 30 September 2001 HK\$'000	Year ended 31 March 2000 HK\$'000
Cost of inventories sold	108,339	101,805
Depreciation:		
Owned fixed assets	12,383	18,345
Leased fixed assets	–	147
	12,383	18,492
Auditors' remuneration:		
Current period/year	832	704
Prior years' underprovision	46	–
	878	704
Foreign exchange losses, net	2,022	–
Operating lease rentals on land and buildings	92,452	69,894
Provision for bad and doubtful debts	–	374
Loss on disposal of fixed assets	1,884	404
Staff costs (including directors' remuneration – note 10):		
Retirement benefits contributions	1,857	1,804
Less: Forfeited contributions	(883)	(803)
Net retirement benefits contributions *	974	1,001
Wages, salaries and bonuses	78,850	60,261
	79,824	61,262
and after crediting:		
Foreign exchange gains, net	–	6,416
Bank interests	486	898
Rental receivable from investment property, net of outgoing	–	1,314
Sub-letting rental income (included in selling and distribution expenses)	7,715	4,595
Commission income	786	–
Write back of provision for bad and doubtful debts	4,492	–

* 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 (31 March 2000: HK\$482,000).

30 September 2001

8. FINANCE COSTS

	Group	
	Period from	Year ended
	1 April 2000 to	31 March
	30 September	2000
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	2,843	6,444
Interest on finance leases	3	35
Bank charges	418	-
	<u>3,264</u>	<u>6,479</u>
Over accrual in prior years	-	(5,207)
	<u>3,264</u>	<u>1,272</u>

9. NON-OPERATING INCOME/(EXPENSES)

	Group	
	Period from	Year ended
	1 April 2000 to	31 March
	30 September	2000
	2001	2000
	HK\$'000	HK\$'000
Net loss on disposal of properties and related fixed assets	-	(4,216)
Legal and professional fees relating to restructuring	-	(6,446)
Provision for impairment in value of properties	-	(2,400)
Debts waived by the holding company	4,031	-
	<u>4,031</u>	<u>(13,062)</u>

10. DIRECTORS' REMUNERATION

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

	Group	
	Period from 1 April 2000 to 30 September 2001 HK\$'000	Year ended 31 March 2000 HK\$'000
Fees	370	480
Salaries, allowances and benefits in kind	4,547	7,351
	<u>4,917</u>	<u>7,831</u>

Fees include HK\$370,000 (Year ended 31 March 2000: HK\$480,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the period (Year ended 31 March 2000: Nil).

The remuneration of the directors fell within the following bands:

	Number of directors	
	Period from 1 April 2000 to 30 September 2001	Year ended 31 March 2000
Nil to HK\$1,000,000	11	12
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	1
	<u>13</u>	<u>14</u>

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

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period included two (Year ended 31 March 2000: two) directors, details of whose remuneration are set out in note 10 above. The details of the remuneration of the remaining three (Year ended 31 March 2000: three) non-director, highest paid employees are as follows:

	Group	
	Period from	Year ended
	1 April 2000 to	31 March
	30 September	2000
	2001	2000
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	<u>2,340</u>	<u>2,299</u>

The remuneration of the non-directors, highest paid employees fell within the following bands:

	Number of employees	
	Period from	Year ended
	1 April 2000 to	31 March
	30 September	2000
	2001	2000
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

12. TAX

	Period from 1 April 2000 to 30 September 2001 HK\$'000	Year ended 31 March 2000 HK\$'000
Group:		
Elsewhere	118	154
Over-provision in prior years	<u>—</u>	<u>(31)</u>
	<u>118</u>	<u>123</u>

No Hong Kong profits tax has been provided for the period from 1 April 2000 to 30 September 2001 and year ended 31 March 2000 as the Group had no assessable profit arising in Hong Kong during the period/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.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$14,416,000 (Year ended 31 March 2000: HK\$76,909,000).

14. PRIOR YEAR ADJUSTMENT

On 22 August 1997, the Group acquired a 56% equity interest in Wescorp Limited, whose sole asset is a 99.6% equity interest in Emporium Group. The post acquisition results of Emporium Group from that date to 31 March 1998 have been consolidated into the Group's profit and loss account for the year then ended. Accordingly, goodwill of HK\$7,169,000 and exchange translation differences in the debit amount of HK\$35,776,000 arising on consolidation were directly eliminated against reserves in the year ended 31 March 1998.

14. PRIOR YEAR ADJUSTMENT – continued

On 9 July 1998, Emporium Group was placed under judicial management. This event significantly impaired the assets and operations of the Emporium Group and the Group's interests therein were deconsolidated and fully provided for in the financial year ended 31 March 1998. No adjustment however was made at that time in respect of the goodwill and translation differences included in reserves.

The effect of the prior year adjustment is a decrease in goodwill and the exchange fluctuation reserve of HK\$7,169,000 and HK\$35,776,000, respectively and an increase in accumulated losses of HK\$42,945,000.

Further details about the Group's interests in Emporium Group are included in note 18 to the financial statements.

15. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$12,724,000 (Year ended 31 March 2000: HK\$41,287,000) and the weighted average of 1,983,090,718 (Year ended 31 March 2000: 627,082,352) ordinary shares in issue during the period.

The diluted loss per share for the period from 1 April 2000 to 30 September 2001 and year ended 31 March 2000 have not been calculated as the company's share options and convertible notes would have had an anti-dilutive effect.

16. FIXED ASSETS

Group	Land and buildings	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:					
At 1 April 2000	2,878	6,356	49,039	2,954	61,227
Additions	–	443	9,707	398	10,548
Disposals	–	(239)	(20,127)	(772)	(21,138)
Exchange realignments	–	72	(2,305)	(1)	(2,234)
	<u>2,878</u>	<u>6,632</u>	<u>36,314</u>	<u>2,579</u>	<u>48,403</u>
At 30 September 2001	2,878	6,632	36,314	2,579	48,403
Accumulated depreciation:					
At 1 April 2000	378	3,819	36,073	2,033	42,303
Provided during the period	158	1,010	10,688	527	12,383
Disposals	–	(140)	(18,181)	(499)	(18,820)
Exchange realignments	–	41	(1,875)	(1)	(1,835)
	<u>536</u>	<u>4,730</u>	<u>26,705</u>	<u>2,060</u>	<u>34,031</u>
At 30 September 2001	536	4,730	26,705	2,060	34,031
Net book value:					
At 30 September 2001	<u>2,342</u>	<u>1,902</u>	<u>9,609</u>	<u>519</u>	<u>14,372</u>
At 31 March 2000	<u>2,500</u>	<u>2,537</u>	<u>12,966</u>	<u>921</u>	<u>18,924</u>

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 Nil (31 March 2000: HK\$245,000).

The Group's land and buildings included above are situated in the PRC and held under a long term lease.

30 September 2001

16. FIXED ASSETS – continued**Company**

	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At 1 April 2000	7,940	1,684	9,624
Additions	587	–	587
Disposals	(931)	–	(931)
Transfer to a subsidiary	(218)	–	(218)
	<u>7,378</u>	<u>1,684</u>	<u>9,062</u>
At 30 September 2001			
Accumulated depreciation:			
At 1 April 2000	5,206	1,310	6,516
Provided during the period	1,363	332	1,695
Disposals	(886)	–	(886)
Transfer to a subsidiary	(103)	–	(103)
	<u>5,580</u>	<u>1,642</u>	<u>7,222</u>
At 30 September 2001			
Net book value:			
At 30 September 2001	<u>1,798</u>	<u>42</u>	<u>1,840</u>
At 31 March 2000	<u>2,734</u>	<u>374</u>	<u>3,108</u>

17. INTERESTS IN SUBSIDIARIES

	Company	
	30 September 2001 HK\$'000	31 March 2000 HK\$'000
Unlisted shares, at cost	122,700	122,700
Due from subsidiaries	832,953	846,597
Due to subsidiaries	(10,222)	(10,639)
	945,431	958,658
Provision for impairments in values	(955,653)	(969,297)
	(10,222)	(10,639)

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

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
			30 September 2001	31 March 2000	
Angel Star Investment Limited	Hong Kong	HK\$2 ordinary HK\$2 non-voting deferred	100	100	Holding of trademarks
Dong Guan Sanyue Fashions Ltd. (note i)	PRC	HK\$10,000,000	92	92	Manufacturing of garments
Granwick International Limited	Hong Kong	HK\$2	100	100	Investment holding

30 September 2001

17. 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
			30 September 2001	31 March 2000	
Guangdong Theme-Huayu Fashion Company Limited (<i>note ii</i>)	PRC	RMB5,000,000	49	49	Retailing of garments
Shanghai Theme Fashion Company (<i>note ii</i>)	PRC	RMB3,000,000	49	49	Retailing of garments
Stage II Limited	Hong Kong	HK\$800,000	100	100	Retailing of garments
Super Base (China) Limited	Hong Kong	HK\$2	100	100	Property holding
Taiwan Vision Company Limited	Taiwan	NTD80,000,000	100	70	Retailing of garments
Theme (China) Limited	Hong Kong	HK\$2	100	100	Investment holding
Theme International Holdings (B.V.I.) Limited	British Virgin Islands/ Hong Kong	US\$10,001	100	100	Investment holding
Theme International Limited	Hong Kong	HK\$2 ordinary HK\$1,000,000 non-voting deferred	100	100	Trading of garments
Wescorp Limited	Hong Kong	HK\$82,208,893	56	56	Investment holding
Wortheme Investment Limited	Hong Kong	HK\$12	100	100	Investment holding

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

17. INTERESTS IN SUBSIDIARIES – continued

Notes:

- (i) The Group has a 92% beneficial interest in Dong Guan Sanyue Fashions Ltd. (“Dongguan Sanyue”). By virtue of an arrangement between the Group and the joint venture partner holding the remaining 8% beneficial interest in Dongguan Sanyue, the Group is entitled to all of Dongguan Sanyue’s profits and is liable for all of its losses. The PRC joint venture partner receives a monthly management fee of HK\$30,000.
- (ii) The Group has a 49% beneficial interest in Guangdong Theme-Huayu Fashion Company Limited (“Guangdong Theme-Huayu”). By virtue of an arrangement between the Group and the joint venture partner holding the remaining 51% beneficial interest in Guangdong Theme-Huayu, the Group is entitled to all of Guangdong Theme-Huayu’s profits and is liable for all of its losses. The PRC joint venture partner receives a monthly management fee of RMB60,000. Accordingly, Guangdong Theme-Huayu and its wholly-owned subsidiary, Shanghai Theme Fashion Company, have been consolidated into the Group’s accounts.

All subsidiaries are indirectly held by the Company with the exception of Theme International Holdings (B.V.I.) Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. SUBSIDIARIES OPERATING UNDER SEVERE RESTRICTIONS

The Group acquired 56% equity interest in Wescorp Limited, the sole asset of which is a 99.6% equity interest in Emporium Group, on 22 August 1997. On 9 July 1998, Emporium Group was placed under judicial management, an event which significantly impaired the Group’s ability to control Emporium Group’s assets and operations. Accordingly, the Emporium Group has not been consolidated into the Group’s accounts for years ended 31 March 1999 and 2000 and for the period from 1 April 2000 to 30 September 2001. The individual assets and liabilities of Emporium Group are not included in the Group’s consolidated balance sheet.

30 September 2001

18. SUBSIDIARIES OPERATING UNDER SEVERE RESTRICTIONS – continued

The Group's interest in the Emporium Group included in the consolidated balance sheet as at 30 September 2001 and 31 March 2000 is as follows:

	30 September 2001 HK\$'000	31 March 2000 HK\$'000
Share of net assets as at 31 March 1998	184,100	184,100
Amount due from the Emporium Group	3,774	3,774
	187,874	187,874
Provision for impairments in values	(187,874)	(187,874)
	—	—

No information is available in respect of Emporium Group's operating results for the year ended 31 March 2000 and the period from 1 April 2000 to 30 September 2001, and of its net assets as at 30 September 2001 and 31 March 2000.

18. SUBSIDIARIES OPERATING UNDER SEVERE RESTRICTIONS – continued

Particulars of the principal subsidiaries operating under severe restrictions, none of which are audited by Ernst & Young, are as follows:

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Wescorp Limited		Principal activities
			30 September 2001	31 March 2000	
			Emporium Holdings (Singapore) Limited *	Singapore	
Chao Phaya Thai Restaurant Pte. Limited	Singapore	S\$300,000	99.6	99.6	Restaurant operations
EH Distribution Pte. Limited	Singapore	S\$250,000	99.6	99.6	Trading and distribution
Emporium Department Store Pte. Limited	Singapore	S\$2,000,000	99.6	99.6	Department store and supermarket operations
Katong Emporium & Supermarket Pte. Limited	Singapore	S\$280,000	99.6	99.6	Property investment
Oriental Restaurant Pte. Limited	Singapore	S\$250,000	99.6	99.6	Restaurant operations
Sports Stop Boutique Pte. Limited	Singapore	S\$400,000	99.6	99.6	Sports goods retailing

* The class "B" shares issued by Emporium Holdings (Singapore) Limited carry the rights to four times the dividend, bonus and rights issue compared with the class "A" shares. The Group's effective interest in Emporium Holdings (Singapore) Limited and all of its wholly-owned subsidiaries at 30 September 2001 is 56%.

30 September 2001

19. INTERESTS IN ASSOCIATES

	Group	
	30 September 2001 HK\$'000	31 March 2000 HK\$'000
Share of net liabilities	(5,179)	(6,483)
Due from associates	13,543	13,543
	8,364	7,060
Provision for diminution in value	(5,158)	(7,060)
	3,206	–
Due to associates	(494)	(516)
	2,712	(516)

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

Particulars of the associates are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest held by subsidiaries		Principal activities
			30 September 2001	31 March 2000	
Favourite Point Trading Sdn. Bhd.	Corporate	Malaysia	49%	49%	Dormant
Strait Approach Pte. Limited	Corporate	Singapore	49%	49%	Retailing and trading of garments

19. INTERESTS IN ASSOCIATES – continued

Name	Business structure	Place of registration and operations	Percentage of ownership interest held by subsidiaries		Principal activities
			30 September 2001	31 March 2000	
Straits Approach Sdn. Bhd.	Corporate	Malaysia	49%	49%	Dormant
Sherman-Theme (China) Limited	Corporate	Hong Kong	50%	50%	Investment holding
Shenyang Sherman – Theme Fashion Limited	Corporate	PRC	30%	30%	Dormant

None of the associates are audited by Ernst & Young with the exception of Sherman-Theme (China) Limited.

20. LONG TERM INVESTMENT

	Group and Company	
	30 September 2001 HK\$'000	31 March 2000 HK\$'000
Unlisted equity investment, at cost	1,000	1,000
Provision for impairment in value	(325)	(1,000)
	<u>675</u>	<u>–</u>

30 September 2001

21. TRADE RECEIVABLES

	Group	
	30 September	31 March
	2001	2000
	HK\$'000	HK\$'000
Current to 90 days	13,164	11,881
91 to 180 days	205	261
181 to 360 days	23	399
Over 360 days	11	2
	<u>13,403</u>	<u>12,543</u>

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

22. INVENTORIES

	Group	
	30 September	31 March
	2001	2000
	HK\$'000	HK\$'000
Raw materials	4,605	4,488
Finished goods	23,285	5,503
	<u>27,890</u>	<u>9,991</u>

The carrying amount of inventories carried at net realisable value included in the above is HK\$903,000 (31 March 2000: HK\$2,348,000).

23. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

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

24. BANK LOANS AND OVERDRAFTS

	Group	
	30 September	31 March
	2001	2000
	HK\$'000	HK\$'000
Bank overdrafts, unsecured	7	–
Bank loans, secured	1,952	2,356
Trust receipt loans, unsecured	6,260	–
	<u>8,219</u>	<u>2,356</u>

At 30 September 2001, the bank loans are secured by mortgages over certain of the Group's land and buildings which have an aggregate net book value at the balance sheet date of approximately HK\$2,342,000 (31 March 2000: HK\$2,500,000).

25. FINANCE LEASE PAYABLES

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

	Group and Company	
	30 September	31 March
	2001	2000
	HK\$'000	HK\$'000
Amount payable within one year	–	110
Less: Future finance charges	–	(3)
	<u>–</u>	<u>107</u>
Total net finance lease payables	–	107
Portion classified as current liabilities	–	(107)
	<u>–</u>	<u>–</u>
Long term portion	–	–

26. OTHER LOANS, SECURED

The prior year's other loans represented loans from Belion, a subsidiary of Navigation, and were secured by a fixed charge over certain assets and a floating charge over other properties and assets of the Company and certain of its subsidiaries.

The loans were repayable on demand. HK\$20 million bore interest at Hong Kong Dollar Prime Rate and the remaining balance bore interest at 1% above the lender's cost of funding. The loans were assigned by Belion to Navigation on 5 June 2000.

27. TRADE PAYABLES AND ACCRUED PURCHASES

	Group	
	30 September	31 March
	2001	2000
	HK\$'000	HK\$'000
Current to 90 days	16,438	13,503
91 to 180 days	5,346	1,250
181 to 360 days	1,179	620
Over 360 days	3,080	1,195
	<u>26,043</u>	<u>16,568</u>

28. AMOUNT DUE TO HOLDING COMPANY

As at 31 March 2000, the amount due to Navigation, a subsidiary of the ultimate holding company, was secured by debentures incorporating fixed and/or floating charges over certain assets, including properties, and first or second mortgages on the properties of the Company and its wholly-owned subsidiaries. The prior year's amount due to Navigation was repayable on demand and bore interest at Hong Kong Dollar Prime Rate. Upon the completion of Debt Restructuring Agreement on 31 August 2000, the prior year's amount due from Navigation was fully discharged.

During the period, a HK\$30 million new loan facility was extended by Navigation to the Company, which is unsecured, bears interest at Hong Kong Dollar Prime Rate and will not be repayable before the third anniversary following the completion of the Debt Restructuring Agreement on 31 August 2000. As at 30 September 2001, HK\$28 million was drawn.

29. DEFERRED TAX

The principal components of the Group's deferred tax assets/(liabilities) not provided for in these financial statements are as follows:

	Group	
	30 September 2001 HK\$'000	31 March 2000 HK\$'000
Accelerated depreciation allowances	88	(159)
Tax losses available for future relief	110,706	97,551
	<u>110,794</u>	<u>97,392</u>

The benefit of any future tax relief on past losses incurred by the Group, has not been included as an asset in the balance sheet because the directors consider it prudent not to recognise the benefit thereof until it is assured beyond reasonable doubt.

As at 30 September 2001, the Company did not have any significant unprovided deferred tax liability.

30. SHARE CAPITAL**Shares**

	Group	
	30 September 2001 HK\$'000	31 March 2000 HK\$'000
<i>Authorised:</i>		
50,000,000,000 (31 March 2000: 5,000,000,000) ordinary shares of HK\$0.01 (31 March 2000: HK\$0.10) each	<u>500,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
2,508,329,402 (31 March 2000: 627,082,352) ordinary shares of HK\$0.01 (31 March 2000: HK\$0.10) each	<u>25,083</u>	<u>62,708</u>

30. SHARE CAPITAL – continued

During the period, the following movements in the share capital were recorded:

- (i) Pursuant to the special resolution passed on 28 August 2000, the share capital of the Company was cancelled to the extent of HK\$0.09 per share so that each of the 627,082,352 shares in issue was treated as one fully paid-up share of HK\$0.01 instead of a share of HK\$0.10 and every unissued share was sub-divided into ten shares of HK\$0.01 each so that the authorised share capital of the Company comprised 50,000,000,000 new shares of HK\$0.01 each consisting of 627,082,352 issued new shares and 49,372,917,648 unissued new shares.
- (ii) Pursuant to the special resolution passed on 28 August 2000, the Company allotted and issued 1,881,247,050 new shares at HK\$0.088 each to discharge the Group's indebtedness.

A summary of the transactions during the period with reference to the above movements of the Company's share capital is as follows:

	Number of shares	Amount <i>HK\$'000</i>
Balance at 31 March 2000	627,082,352	62,708
Capital reduction	–	(56,437)
New shares issued	1,881,247,050	18,812
Balance at 30 September 2001	<u>2,508,329,402</u>	<u>25,083</u>

Share options

In the prior year, the Company granted a total of 900,000 share options which entitle the holders to subscribe for shares in the Company at a subscription price of HK\$2.125 per share exercisable during the period from 14 November 1997 to 3 December 2000. These options were not exercised before 3 December 2000 and lapsed accordingly.

As at 30 September 2001, there were no share options outstanding which entitle the holders to subscribe for shares in the Company.

31. RESERVES**Group**

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 1999	651,862	34,503	(7,169)	(42,508)	(874,646)	(237,958)
Prior year adjustment (<i>note 14</i>)	–	–	7,169	35,776	(42,945)	–
As restated	651,862	34,503	–	(6,732)	(917,591)	(237,958)
Exchange realignments	–	–	–	(3,965)	–	(3,965)
Loss for the year	–	–	–	–	(41,287)	(41,287)
At 31 March 2000 and beginning of period	651,862	34,503	–	(10,697)	(958,878)	(283,210)
Capital reduction	–	–	–	–	56,437	56,437
Issue of shares	146,737	–	–	–	–	146,737
Goodwill on acquisition of additional interests in a subsidiary	–	–	(2,007)	–	–	(2,007)
Exchange realignments	–	–	–	116	–	116
Loss for the period	–	–	–	–	(12,724)	(12,724)
At 30 September 2001	<u>798,599</u>	<u>34,503</u>	<u>(2,007)</u>	<u>(10,581)</u>	<u>(915,165)</u>	<u>(94,651)</u>
Reserves retained by:						
Company and subsidiaries	798,599	34,682	(2,007)	(10,278)	(909,767)	(88,771)
Associates	–	(179)	–	(303)	(5,398)	(5,880)
At 30 September 2001	<u>798,599</u>	<u>34,503</u>	<u>(2,007)</u>	<u>(10,581)</u>	<u>(915,165)</u>	<u>(94,651)</u>
Company and subsidiaries	651,862	34,682	–	(10,394)	(952,176)	(276,026)
Associates	–	(179)	–	(303)	(6,702)	(7,184)
At 31 March 2000	<u>651,862</u>	<u>34,503</u>	<u>–</u>	<u>(10,697)</u>	<u>(958,878)</u>	<u>(283,210)</u>

31. RESERVES – continued**Company**

	Share premium account	Contributed surplus	Accumulated losses	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 April 1999	651,862	84,000	(975,579)	(239,717)
Loss for the year	–	–	(76,909)	(76,909)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000 and beginning of period	651,862	84,000	(1,052,488)	(316,626)
Capital reduction	–	–	56,437	56,437
Issue of shares	146,737	–	–	146,737
Loss for the period	–	–	(14,416)	(14,416)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2001	<u>798,599</u>	<u>84,000</u>	<u>(1,010,467)</u>	<u>(127,868)</u>

The contributed surplus of the Company arose as a result of the Group's reorganisation in 1994 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.

32. CONVERTIBLE NOTES

Under the Debt Restructuring Agreement, as further detailed in note 2(ii) to the financial statements, 20 non-interest bearing convertible notes of approximately HK\$3.3 million each were issued to the holding company. The convertible notes carry the right to convert into 752,498,000 new shares at the conversion price of HK\$0.088 each, subject to adjustments, representing 30% and 23% of the existing share capital and enlarged share capital after conversion, respectively.

The convertible notes are unsecured, interest-free and are convertible in whole or in part by the noteholders into shares at any time on or before 30 August 2005. Any part of the convertible notes which are not converted will be mandatorily converted into shares on 30 August 2005. Such mandatory conversion will be automatically postponed until such time as the Company is satisfied that, at least 25% of the shares are held by the public as required under the Listing Rules.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of loss from operating activities to net cash outflow from operating activities:**

	Period from 1 April 2000 to 30 September 2001 HK\$'000	Year ended 31 March 2000 HK\$'000
Loss from operating activities	(14,677)	(26,914)
Interest income	(486)	(898)
Depreciation	12,383	18,492
Write-back of provision for impairment in value of long term investment	(675)	–
Write-back of provision for impairment in value of associates	(1,902)	–
Loss on disposal of fixed assets	1,884	404
Decrease/(increase) in trade receivables	(860)	8,043
Decrease/(increase) in inventories	(17,899)	11,943
Decrease in deposits, prepayments and other receivables	4,496	7,481
Increase in trust receipt loans	3,060	–
Increase in bills payable	347	–
Increase in trade payables and accrued purchases	9,475	3,046
Decrease in other payables and accruals	(20,413)	(32,885)
Increase in amounts due to fellow subsidiaries, net	379	–
Effect of foreign exchange differences	–	(4,139)
	<u> </u>	<u> </u>
Net cash outflow from operating activities	<u>(24,888)</u>	<u>(15,427)</u>

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

(b) Analysis of changes in financing during the period/year:

	Bank loans <i>HK\$'000</i>	Other loans <i>HK\$'000</i>	Amount due to holding company <i>HK\$'000</i>	Finance lease payables <i>HK\$'000</i>
At 1 April 1999	172,927	4,806	–	804
Repayments from sale of mortgaged properties	(33,778)	–	–	–
Cash inflow/(outflow) from financing activities, net	(7,133)	20,000	–	(697)
Transfer from bank overdrafts*	–	–	68,206	–
Transfer of accrued interest from accrued charges	–	–	8,415	–
Transfer*	(129,660)	–	129,660	–
Accrued interest	–	746	4,527	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2000 and beginning of period	2,356	25,552	210,808	107
Cash inflow/(outflow) from financing activities, net	(404)	9,440	18,000	(107)
Non-cash transactions (<i>note 33(c)</i>)	–	(34,992)	(200,808)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2001	<u> 1,952</u>	<u> –</u>	<u> 28,000</u>	<u> –</u>

* Pursuant to the Bank Debt Purchase Agreement entered into on 30 December 1999, all unsecured indebtedness of the Group to the banks participating in the Standstill Agreement was assigned by the banks to Navigation Limited.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

(c) Major non-cash transactions

On 30 December 1999, the Company and certain of its subsidiaries entered into a Bank Debt Purchase Agreement with the participating banks, Navigation and Belion. Pursuant to the agreement, Navigation acquired from the participating banks all indebtedness, other than secured amounts relating to mortgaged property.

On 5 June 2000, Belion assigned the amount due to it by the Group to Navigation and the Company and certain of its subsidiaries entered into a Debt Restructuring Agreement with Navigation. Upon the completion of the Debt Restructuring Agreement on 31 August 2000, the amounts owing by the Group to Navigation and Belion were discharged by Navigation as follows:

- (i) approximately HK\$166 million was discharged in consideration of the Company issuing 1,881,247,050 new shares at HK\$0.088 each to Navigation.
- (ii) approximately HK\$66 million was discharged in consideration of the Company issuing to Navigation 20 non-interest bearing convertible notes of approximately HK\$3.3 million each.
- (iii) HK\$2 million was discharged by Navigation agreeing to have recourse solely against the assets of The Shop Clothing Limited, a wholly owned subsidiary of the Company currently in liquidation.
- (iv) The remaining balance owed to Navigation of HK\$2 million was waived by Navigation.

34. PLEDGE OF ASSETS

At the balance sheet date, a subsidiary pledged land and buildings amounting to HK\$2,342,000 (31 March 2000: HK\$2,500,000) to a bank to secure borrowing facilities granted to the Group.

30 September 2001

35. CONTINGENT LIABILITIES

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

	Group		Company	
	30 September 2001 HK\$'000	31 March 2000 HK\$'000	30 September 2001 HK\$'000	31 March 2000 HK\$'000
Guarantees given to banks in connection with facilities granted to a subsidiary	—	—	42,880	2,880

As at 30 September 2001, the guarantees given to banks in connection with facilities granted to a subsidiary by the Company were utilised to the extent of approximately HK\$8,219,000 (31 March 2000: HK\$2,356,000).

36. COMMITMENTS

At 30 September 2001, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	30 September 2001 HK\$'000	31 March 2000 HK\$'000
Land and buildings expiring:		
Within one year	1,957	7,491
In the second to fifth years, inclusive	25,497	35,074
	27,454	42,565

37. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the period/year:

		Group	
		Period from	Year ended
		1 April 2000 to	31 March
		30 September	2000
		2001	2000
	<i>Notes</i>	HK\$'000	HK\$'000
Computer related and information processing services charged to a non-consolidated subsidiary	(i)	–	461
Expense reimbursement of leased telephone line from a non-consolidated subsidiary	(ii)	–	149
Interest expense payable to a fellow subsidiary	(iii)	–	662
Interest expense payable to the holding company	(iv)	2,046	4,527
Commission income received from fellow subsidiaries	(v)	786	–
Rental expense to a fellow subsidiary	(vi)	1,260	–
Subcontracting fee income received from fellow subsidiaries	(vii)	2,185	–
Debts waived by the holding company	(viii)	4,031	–
		4,031	–

Notes:

- (i) The expense was charged to the Emporium Group for provision of computer related and information processing services, at an appropriate allocation of costs incurred by the Group.
- (ii) The Company paid expenses relating to leased telephone lines, on behalf of the Emporium Group. These expenses were reimbursed to the Company by the Emporium Group at cost.
- (iii) Interest expense was payable in respect of a loan advanced from a fellow subsidiary. HK\$20 million bore interest at Hong Kong Prime Rate and the remaining balance bore interest at 1% above the lender's cost of funding.
- (iv) Interest expense was payable to the holding company on the loan advance of HK\$28 million bearing interest at Hong Kong Prime rate.
- (v) Commission income was charged to certain subsidiaries of the ultimate holding company for the provision of computer and other services, at an appropriate allocation of costs incurred by the Group.
- (vi) Rental charges were payable to a subsidiary of the ultimate holding company with reference to the prevailing market rate of the office premise.
- (vii) Subcontracting fee income receivable from subsidiaries of the ultimate holding company were charged in the normal course of business and at a consideration decided between parties with reference to the prevailing market price.
- (viii) The debts waived by the holding company were arisen from the debt restructuring, further details of which are included in note 2.

38. POST BALANCE SHEET EVENTS

- (a) Subsequent to the balance sheet date, on 28 December 2001, the Group entered into a Share Sale and Purchase Agreement to dispose of its 49% equity interests in an associate, Strait Approach Pte. Limited (“Strait Approach”) to a major shareholder of Strait Approach, for a total consideration of approximately HK\$1,304,000.
- (b) Subsequent to the balance sheet date, on 28 December 2001, the Group entered into a Asset Sale and Purchase Agreement to acquire certain assets of Strait Approach at a total consideration of approximately HK\$3,669,000.
- (c) Subsequent to the balance sheet date, on 31 December 2001, a Termination Agreement was entered into by the Group, Strait Approach and the major shareholder of Strait Approach, which provides for:
 - (i) the termination of the Shareholders’ Agreement relating to Strait Approach;
 - (ii) the surrender by Strait Approach of its rights in the business of marketing and retail selling in Singapore of products under the Theme mark;
 - (iii) the waiver by the Group of payment of a portion of the shareholder’s loan to Strait Approach amounting to approximately HK\$2,728,000; and
 - (iv) the repayment of the reduced inter-company debt by Strait Approach to the Group amounting to HK\$1,902,000.
- (d) Subsequent to the balance sheet date, on 14 January 2002, a HK\$30 million new loan facility was granted by Navigation to the Company, which is unsecured, bears interest at Hong Kong Dollar Prime Rate and will not be repayable before the third anniversary following the date of availability of the loan on 21 January 2002.

39. COMPARATIVE AMOUNTS

Certain comparative amounts for the year ended 31 March 2000 were reclassified and additional line items of current liabilities had been added, as in the opinion of the directors, it would produce a more appropriate presentation of the Group's operating results. A summary of the reclassification is as follows:

- (i) landing and delivery expenses of HK\$2,868,000 for the year ended 31 March 2000 were reclassified from selling and distribution expenses to cost of sales.
- (ii) sample charges of HK\$3,471,000 for the year ended 31 March 2000 were reclassified from administrative expenses to cost of sales.
- (iii) operating costs of the retail shops of HK\$8,286,000 for the year ended 31 March 2000 were reclassified from administrative expenses to selling and distribution expenses.
- (iv) sub-letting rental income of HK\$4,595,000 for the year ended 31 March 2000 was reclassified from other income to selling and distribution expenses.

40. APPROVAL OF THE FINANCIAL STATEMENTS

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