

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

1 Group reorganisation and basis of preparation of financial statements

The Company was incorporated as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 4 January 2001 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 December 2001 (the "Listing"). The directors of the Company consider Pictet Overseas Trust Corporation Limited, which is incorporated in the Commonwealth of Bahamas, as the Company's ultimate holding company.

The Company is an investment holding company. The Group is principally engaged in the manufacture of knitted-to-shape and non knitted-to-shape garments.

The Company did not have any assets or liabilities up to 31 March 2001. Accordingly, the Company's balance sheet at 31 March 2001 is not presented in the financial statements.

Pursuant to the reorganisation exercise to rationalise the structure of the Group in preparation for the Listing of the Company's shares on The Main Board of the Stock Exchange, the Company became the holding company of the other companies comprising the Group on 9 November 2001 by principally issuing shares in exchange for the entire issued share capital of Addlink Limited. Details of the reorganisation have been set out in the paragraph headed "Corporate reorganisation" in Appendix V of the prospectus dated 23 November 2001 issued by the Company (the "Prospectus").

The Group resulting from the reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the principles of merger accounting in accordance with Statement of Standard Accounting Practice 27 "Accounting for group reconstructions".

2 Significant accounting policies

The financial information has been prepared under the historical cost convention.

The principal accounting policies which have been adopted in preparing these financial statements set out in this report and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

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

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

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

2 Significant accounting policies (*continued*)

Goodwill

Goodwill (negative goodwill) represents the excess (deficit) between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the effective date of acquisition.

Negative goodwill arising on acquisitions prior to 1 April 2001 is held in reserves and will be credited to the consolidated income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1 April 2001 is recognised as an asset and is amortised using the straight line method over its estimated useful life, which is generally 3 to 20 years. Negative goodwill arising on acquisitions after 1 April 2001 is recognised as income on a systematic basis over the remaining weighted average useful life of the non-monetary assets acquired.

On the disposal of an investment in a subsidiary or an associate, the attributable amount of unamortised goodwill (negative goodwill) or the negative goodwill previously credited to reserves is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Sub-contracting income is recognised when services are rendered.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment.

Construction in progress is carried at cost less any identified impairment loss. Depreciation of this asset, on the same basis as other property assets, commences when the asset is ready for its intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

2 Significant accounting policies (continued)

Property, plant and equipment (continue)

Depreciation and amortisation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining term of the relevant leases
Buildings	Over the shorter of the term of leases or 50 years
Leasehold improvements	Over the remaining term of the relevant leases
Plant and machinery	25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in associate is stated at the Group's share of the net assets of the associate.

When the Group transacts with its associate, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provides evidence of an impairment of the asset transferred.

Intangible asset

The intangible asset represents the rights to use permanent quotas and are stated at cost less amortisation and impairment, if any. Amortisation is provided to write off the cost of quotas over 5 years using straight line method.

2 Significant accounting policies (continued)

Temporary textile quota entitlement

The cost of temporary textile quota entitlement is charged to the income statement at the time of utilisation.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the lessee. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding principal portions of the commitments are shown as finance lease obligations. The finance costs, which represents the difference between the total commitments and the fair value of the respective assets acquired, are charged to the income statement over the period of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the income statement. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

2 Significant accounting policies (continued)

Foreign currencies (continued)

On consolidation, the financial statements of the Group's overseas operations are translated at rates ruling on the balance sheet date. Exchange differences arising on consolidation are dealt with in the exchange reserve.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3 Turnover

Turnover represents the amounts received and receivable for goods sold and sub-contracting services provided to outside customers during the year.

4 Other income

	2002 HK\$'000	2001 HK\$'000
Exchange gain	1,747	1,180
Gain on disposal of property, plant and equipment	148	—
Interest income	592	1,873
Sundry income	2,817	2,247
	5,304	5,300

5 Profit from operations

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intangible asset	820	820
Auditors' remuneration	734	500
Cost of temporary textile quota entitlements	36,869	40,960
Depreciation and amortisation		
- owned assets	6,045	5,757
- assets held under finance leases	120	223
	6,165	5,980
Loss on disposal of property, plant and equipment	—	19
Minimum lease payments under operating leases in respect of rented premises	261	230
Staff costs including directors' remuneration	78,760	61,860

6 Remuneration of directors and employees

	2002 HK\$'000	2001 HK\$'000
Directors		
Fees	33	—
Salaries and other benefits	3,466	2,183
Performance related incentive payments	—	2,077
Retirement benefit scheme contributions	56	95
	3,555	4,355
Emoluments of the directors were within the following bands:		
Nil - HK\$1,000,000	6	2
HK\$1,000,001 - HK\$1,500,000	1	2

The amount disclosed above include directors' fees of HK\$33,334 (2001: Nil) paid to independent non-executive directors.

6 Remuneration of directors and employees (*continued*)

Employees

Of the five individuals with the highest emoluments in the Group, four were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2002 HK\$'000	2001 HK\$'000
Salary and other benefits	421	423
Performance related incentive payments	36	37
Retirement benefit scheme contribution	12	18
	469	478
Emoluments of the remaining highest paid individual were within are following band:		
Nil - HK\$1,000,000	1	1

During the year, no emoluments were paid by the Group to the directors of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

7 Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	695	267
Finance charges on finance leases	9	40
Convertible loan interest	—	4,045
	704	4,352

8 Taxation

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
- current year	3,520	3,500
- overprovision in prior year	(711)	(22)
Deferred taxation (Note 23)	300	(70)
	3,109	3,408

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for the year.

The associate did not have any tax charge for the year.

9 Dividend

The final dividend of 4.6 HKcents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10 Earnings per share

The calculation of the basic earnings per share is based on the profit for the year of HK\$44,107,000 (2001: HK\$39,134,000) and the weighted average number of ordinary shares of 201,949,057 (2001: 186,000,000) in issue which is based on the assumption that the reorganisation was effective on 1 April 2000.

Diluted earnings per share have not been presented for the year ended 31 March 2002 as there were no dilutive potential ordinary shares during the year.

Diluted earnings per share for the year ended 31 March 2001 is based on adjusted earnings for the purpose of diluted earnings per share computed as follows:

	HK\$'000
Profit for the year	39,134
Effect of dilutive potential ordinary shares:	
Interest on convertible loan issued by a subsidiary	4,045
Dividend on converted shares in a subsidiary	(4,608)
Adjusted earnings for the purpose of diluted earnings per share	38,571

The denominator for the diluted earnings per share is same as that for basic earnings per share.

11 Property, plant and equipment

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1 April 2001	103,320	2,503	12,508	3,358	5,852	—	127,541
Exchange realignment	(22)	(6)	(23)	(2)	(6)	—	(59)
Additions	2,021	1,195	3,918	821	2,036	1,714	11,705
Disposals	—	(125)	(3)	(92)	(1,330)	—	(1,550)
At 31 March 2002	105,319	3,567	16,400	4,085	6,552	1,714	137,637
DEPRECIATION AND AMORTISATION							
At 1 April 2001	7,760	2,150	7,520	2,797	4,677	—	24,904
Exchange realignment	—	(3)	(14)	(1)	(3)	—	(21)
Provided for the year	2,000	130	2,553	422	1,060	—	6,165
Eliminated on disposals	—	(102)	(1)	(85)	(1,328)	—	(1,516)
At 31 March 2002	9,760	2,175	10,058	3,133	4,406	—	29,532
NET BOOK VALUES							
At 31 March 2002	95,559	1,392	6,342	952	2,146	1,714	108,105
At 31 March 2001	95,560	353	4,988	561	1,175	—	102,637

11 Property, plant and equipment (*continued*)

The land and buildings are held under medium term leases and are situated in:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Hong Kong	9,862	10,085
Mainland China	82,145	81,963
Thailand	3,552	3,512
	95,559	95,560

The net book value of property, plant and equipment in respect of assets held under finance leases are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Motor vehicles	—	120

12 Investments in subsidiaries

	THE COMPANY HK\$'000
Unlisted shares, at cost	187,890

The carrying amount of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation on 9 November 2001 and after netting off the receipt by the Company of dividends from the pre-organisation profit of the subsidiaries acquired .

12 Investments in subsidiaries (continued)

Particulars of the subsidiaries of the Company as at 31 March 2002 are as follows:

Name of company	Place of incorporation or registration	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company	Principal activities
Addlink Limited *	British Virgins Islands	US\$62,000	100%	Investment holding
Pak Tak Holdings (Hong Kong) Limited	Hong Kong	HK\$10,000	100%	Not yet commenced operation
Pak Tak Knitting & Garment Factory Limited	Hong Kong	HK\$3,000,000	100%	Manufacture of and trading in knitted-to-shape and non knitted-to-shape garments
Pak Tak Knitting & Garment Factory (Thailand) Company Limited*	Thailand	Baht20,000,000	60%	Manufacture of knitted-to-shape garments
Rich Source Limited	Hong Kong	HK\$10,000	100%	Trading in knitted-to-shape and non knitted-to-shape garments
Richtime Knitting Limited	Hong Kong	HK\$10,000	100%	Not yet commenced business
普寧市百德針織有限公司 *	The People's Republic of China	HK\$15,000,000	100%	Manufacture of knitted-to-shape garments

All of the above subsidiaries, except for Addlink Limited, are indirectly held by the Company.

All subsidiaries operate principally in their respective place of incorporation or registration.

* The financial statements of these companies are not audited by Deloitte Touche Tohmatsu.

None of the subsidiaries had issued any debt securities at the end of the year.

13 Interest in an associate

THE GROUP
2002 2001
HK\$'000 HK\$'000

Share of net assets

1,433	1,510
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Particulars of the Company's associate at 31 March 2002 are as follows:

Name of associate	Place of incorporation and operation	Proportion of nominal value of issued capital held by the Group	Principal activities
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak Kwong Tai")	Hong Kong	49%	Trading of knitwear and other apparel products

The financial statements of the associate are not audited by Deloitte Touche Tohmatsu.

14 Intangible asset

THE GROUP
2002 2001
HK\$'000 HK\$'000

COST

At beginning and end of the year

4,100	4,100
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AMORTISATION

At beginning of the year

2,020	1,200
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Provided for the year

820	820
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At end of the year

2,840	2,020
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NET BOOK VALUES

At end of the year

1,260	2,080
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The intangible asset represents the rights to use permanent quotas.

15 Inventories

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials	40,174	20,267
Work in progress	14,082	20,982
Finished goods	1,990	7,037
	56,246	48,286

All inventories were carried at cost.

16 Trade debtors

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

The following is an aged analysis of trade debtors:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 - 30 days	15,025	12,366
31 - 60 days	1,812	2,831
61 - 90 days	244	1,094
Over 90 days	331	1,140
	17,412	17,431

17 Amount due from a director

THE GROUP

Particulars of the amount due from a director are as follows:

Name of director	Balance at 31.3.2002 HK\$'000	Balance at 1.4.2001 HK\$'000	Maximum amount outstanding during the year HK\$'000
Cheng Chi Tai ("Mr. Cheng")	—	90	90

The amount was unsecured, interest free and was fully repaid during the year.

18 Amount due from a related company

THE GROUP

Particulars of the amount due from a related company are as follows:

Name of related party	Balance at 31.3.2002 HK\$'000	Balance at 1.4.2001 HK\$'000	Maximum amount outstanding during the year HK\$'000
普寧市高埔毛織製衣有限公司	—	182	973

Lin Chick Kwan and Lin Wing Chau, directors of the Company, have a beneficial interest in this Company.

The amount was unsecured, interest free and was fully repaid during the year.

19 Amount due from an associate

THE GROUP

Name of associate	2002 HK\$'000	2001 HK\$'000
Pak Tak Kwong Tai	4,474	3,102

The balance includes an amount of HK\$3,043,853 (2001: HK\$2,886,000) which is unsecured, bears interest at 8% per annum and is repayable on demand. The remaining balance is interest free, unsecured and is repayable on demand.

20 Trade creditors

The following is an aged analysis of trade creditors:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 - 30 days	13,012	7,727
31 - 60 days	2,133	7,976
61 - 90 days	7,094	2,616
Over 90 days	1,047	—
	23,286	18,319

21 Amount due to a director

THE GROUP

The amount was unsecured and interest free.

An amount of HK\$29,000,000 due to Mr. Cheng was assigned to Addlink Limited, a subsidiary of the Company, in consideration for 12,000 shares in Addlink Limited on 4 October 2001 and the remaining balance was repaid to Mr. Cheng during the year.

22 Obligations under finance leases

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The maturity of obligations under finance leases is as follows:				
Within one year	—	45	—	36
Less: Future finance charges	—	9	—	—
Present value of lease obligations	—	36	—	36

23 Deferred taxation

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of the year	1,111	1,181
Charge (credit) for the year (Note 8)	300	(70)
Balance at end of the year	1,411	1,111
At the balance date, the major component of the deferred taxation liability was as follows:		
Excess of tax allowances over depreciation	1,411	1,111

The Group and the Company had no other significant unprovided deferred taxation during the year or at the balance sheet date.

24 Minority interests

	2002 HK\$'000	2001 HK\$'000
At beginning of the year	1,464	780
Share of net result	473	775
Share of exchange reserve	3	(91)
At end of the year	1,940	1,464

25 Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
On incorporation (note a)	1,000,000	100
Increase during the year (notes b and c)	499,000,000	49,900
At 31 March 2002	500,000,000	50,000
Issued and fully paid:		
Allotted and issued as nil-paid on incorporation (note a)	1,000,000	—
Nil-paid shares credited as fully paid from contributed surplus (note b)	—	100
Issue of shares in consideration for the acquisition of the issued share capital of Addlink Limited (note b)	1,000,000	100
Issue on public flotation (note d)	42,000,000	4,200
Issue of shares by capitalisation of share premium account (note e)	184,000,000	18,400
Issue of shares under over-allotment options exercised (note f)	8,402,000	840
At 31 March 2002	236,402,000	23,640

Notes:

- (a) The authorised capital of the Company as at the date of incorporation was HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each and all of which were issued and allotted nil paid to Mr. Cheng on 9 January 2001.

25 Share capital (continued)

- (b) On 9 November 2001, for the purpose of rationalising the structure of the Group as set out in note 1:
- (i) the authorised share capital of the Company was increased to HK\$200,000 by the creation of a further 1,000,000 shares;
 - (ii) 1,000,000 new shares were issued, allotted and credited as fully paid in exchange for the entire issued share capital of Addlink Limited. The contributed surplus arising from the acquisition of Addlink Limited amounted to HK\$196,143,000 and was credited to reserves on the same date; and
 - (iii) the shares issued to Mr. Cheng on 9 January 2001 were credited as fully paid by the application of the contributed surplus as set out in b(ii).
- (c) Pursuant to further resolutions in writing by all the shareholders of the Company on 9 November 2001, the authorised share capital of the Company was further increased from HK\$200,000 to HK\$50,000,000 by the creation of a further 498,000,000 shares.
- (d) On 4 December 2001, 42,000,000 new ordinary shares were allotted and issued for a consideration of HK\$0.88 per share in connection with the public flotation of the Company. The intended use of the net proceeds is set out in the Prospectus.
- (e) On 4 December 2001, 184,000,000 new shares were allotted and issued to the shareholders whose names appeared on the register of members of the Company at the close of business on 9 November 2001. These shares were credited as fully paid by capitalisation of the share premium account of the Company.
- (f) On 19th December, 2001, 8,402,000 new ordinary shares were allotted and issued for a consideration of HK\$0.88 per share pursuant to the over-allotment option exercised by the underwriters in connection with the public flotation of the Company. Details of the over-allotment option and the intended use of the net proceeds were set out in the Prospectus.

All the shares issued during the year ranked *pari passu* with the then existing shares at each relevant point of time.

At 31 March 2002, there were no outstanding share options under the Company's share option scheme.

26 Reserves

	2002 HK\$'000	2001 HK\$'000
THE GROUP		
SHARE PREMIUM		
At beginning of the year	—	—
Shares issued at a premium (notes 25 (d) and (f))	39,314	—
Share issue expenses	(14,927)	—
Capitalisation of share premium (note 25(e))	(18,400)	—
At end of the year	5,987	—
SPECIAL RESERVE		
At beginning of the year	3,880	3,880
Arising from debt assignment (note 21)	29,000	—
Utilised to pay up nil-paid shares issued on incorporation	(100)	—
Shares issued on exchange for shares in Addlink Limited	(100)	—
At end of the year	32,680	3,880
NEGATIVE GOODWILL		
At beginning of the year	1,232	1,220
Negative goodwill arising on acquisition of a subsidiary	—	12
At end of the year	1,232	1,232
EXCHANGE RESERVE		
At beginning of the year	(458)	147
Exchange differences arising on translation of overseas operations	(9)	(605)
At end of the year	(467)	(458)
RETAINED PROFITS		
At beginning of the year	121,216	82,082
Profit for the year	44,107	39,134
At end of the year	165,323	121,216
TOTAL RESERVES	204,755	125,870

26 Reserves (continued)

THE COMPANY

	HKS'000
SHARE PREMIUM	
Shares issued at a premium	39,314
Share issue expenses	(14,927)
Capitalisation of share premium	(18,400)
At end of the period	5,987
CONTRIBUTED SURPLUS	
Arising from group reorganisation	192,033
Utilised to pay up nil-paid shares issued on incorporation	(100)
At end of the period	191,933
RETAINED PROFITS	
Profit for the period and at end of the period	7,838
TOTAL RESERVES	205,758

The special reserve of the Group mainly represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the shares of the Company and Addlink Limited issued for the acquisition at the time of the group reorganisation on 9 November 2001 and the share premium of Addlink Limited arising from issue of shares of Addlink Limited in connection with the debt assignment as set out in note 21.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation on 9 November 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay or dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

26 Reserves (continued)

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date were:

	HK\$'000
Contributed surplus	191,933
Retained profits	7,838
	199,771

The retained profits of the Group include accumulated losses of HK\$37,000 (2001: a retained profits of HK\$40,000) attributable to the associate of the Group.

27 Reconciliation of profit before taxation to net cash inflow from operating activities

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	47,689	43,317
Exchange realignment	32	(162)
Share of result of an associate	77	(152)
Amortisation of intangible asset	820	820
(Gain) loss on disposal of property, plant and equipment	(148)	19
Depreciation and amortisation of property, plant and equipment	6,165	5,980
Interest income	(592)	(1,873)
Interest expenses	704	4,352
(Increase) decrease in inventories	(7,960)	6,189
Decrease (increase) in trade debtors	19	(6,649)
Increase in other debtors, prepayments and deposits	(156)	(6,864)
Decrease in amount due from a related company	182	5,862
(Increase) decrease in amount due from associate	(1,372)	345
Increase in trade creditors and bills payable	5,292	3,022
(Increase) decrease in other creditors and accrued charges	(1,501)	498
Decrease in amounts due to related companies	—	(1,937)
Net cash inflow from operating activities	49,251	52,767

28 Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
NET ASSETS ACQUIRED:		
Amount due from a director	—	69
Other creditors and accrued charges	—	(20)
Amount due to a related company	—	(27)
	—	22
Negative goodwill	—	(12)
Total consideration	—	10
SATISFIED BY:		
Cash	—	10

On 9 October 2000, Addlink Limited acquired 99.6% of the issued capital of Rich Source Limited for a consideration of HK\$9,960. The acquisition has been accounted for by the acquisition method of accounting and the amount of negative goodwill arising as a result of the acquisition was approximately HK\$12,000.

29 Analysis of changes in financing during the year

	2002 HK\$'000	2001 HK\$'000
SHARE CAPITAL AND PREMIUM		
At beginning of the year	—	—
Nil-paid shares credited as fully paid from special reserve	100	—
Issue of shares in exchange for entire share capital of Addlink Limited	100	—
Issue of shares on public flotation and on exercise of over-allotment options by underwriters	44,354	—
Shares issue expenses	(14,927)	—
At end of the year	29,627	—
CONVERTIBLE LOAN		
At beginning of the year	—	57,600
Repayment during the year	—	(57,600)
At end of the year	—	—
TRUST RECEIPT LOANS, UNSECURED		
At beginning of the year	1,947	—
(Repayment) advance during the year	(1,286)	1,947
At end of the year	661	1,947
OBLIGATIONS UNDER FINANCE LEASES		
At beginning of the year	36	190
Repayment during the year	(36)	(154)
At end of the year	—	36
AMOUNT DUE TO A DIRECTOR		
At beginning of the year	41,675	46,889
Assignment to Addlink Limited in exchange for shares in Addlink Limited	(29,000)	—
Repayment during the year	(12,675)	(5,145)
On acquisition of a subsidiary	—	(69)
At end of the year	—	41,675
AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY		
At beginning of the year	2,654	2,692
Repayment during the year	—	(38)
At end of the year	2,654	2,654

30 Capital commitments

	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
contracted for but not provided for in the financial statements	6,850	90
authorised but not contracted for	2,150	—

31 Lease commitments

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due, as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	232	242
In the second to fifth year inclusive	—	221
	232	463

Operating lease is negotiated for a term of two years without renewal options.

The Company did not have any outstanding operating lease commitments outstanding at the balance sheet date.

32 Pledge of assets

At the balance sheet date, the Group has pledged certain assets as security for general banking facilities granted as follows:

	2002 HK\$'000	2001 HK\$'000
Land and buildings, at net book values	—	6,193

The Company had not pledged any of its assets at the balance sheet date.

33 Contingent liabilities

At 31 March 2002, the Group did not have any contingent liabilities (2001: Nil).

At 31 March 2002, the Company had issued corporate guarantees given to banks in connection with facilities granted to certain of its subsidiaries amounting to approximately HK\$126 million.

34 Employee retirement benefits

The Group operated a defined contribution retirement benefits scheme for qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of trustees. On 1 October 2000, the scheme was terminated and the contributed amounts were refunded to employees.

With effect from 1 December 2000, the operating subsidiaries in Hong Kong joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect of MPF Scheme is to make the required contributions under the Scheme. No forfeited contribution is available to reduce the contributions payable in future years. The Group's contributions to the defined contribution benefit scheme and the MPF Scheme are charged to the income statement.

	2002 HK\$'000	2001 HK\$'000
Retirement benefit contribution made during the year	318	350

35 Related party transactions

Name of related party	Nature of transaction	2002 HK\$'000	2001 HK\$'000
Pak Tak Kwong Tai	Rental income (Note 1)	134	—
	Sales of goods (Note 2)	3,904	11,191
	Sub-contracting fee received (Note 3)	368	140
	Interest income (Note 4)	237	89
	Property purchased from (Note 5)	—	900
普寧市高埔毛織製衣有限公司	Subcontracting fee paid (Note 6)	2,019	6,087

Notes:

- (1) Rental income was based on the tenancy agreement.
- (2) These transactions were carried out at cost plus a percentage profit mark-up.
- (3) Subcontracting fee received was determined at amounts mutually agreed by the parties involved.
- (4) The interest rate were charged at 8% per annum.
- (5) Property transaction was based on estimated market value.
- (6) Subcontracting fee paid was determined at amounts mutually agreed by the parties involved. The Group has not had any transactions with this related company since 1 August 2001.

36 Long service payments

At 31 March 2002, the Group had a number of employees who had completed the required number of years of service under the Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all eligible employees been terminated on 31 March 2002 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$3,181,000 (2001: HK\$3,500,000). No provision has been made in the financial statements in respect of such long service payments.

37 Segment information

(a) Business segments

The business activities of the Group can be categorised into knitted-to-shape garments, non knitted-to-shape garments and sub-contracting. Segment information in respect of these activities is as follows:

RESULT

	Turnover		Contribution to profit	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Sales of knitted-to-shape garment	384,387	366,226	36,931	36,400
Sales of non knitted-to-shape garment	25,962	17,692	2,874	3,342
Sub-contracting income	21,139	27,502	3,361	2,475
	431,488	411,420	43,166	42,217
Other income			5,304	5,300
Profit from operations			48,470	47,517
Finance costs			(704)	(4,352)
Share of result of an associate			(77)	152
Profit before taxation			47,689	43,317
Taxation			(3,109)	(3,408)
Profit before minority interests			44,580	39,909
Minority interests			(473)	(775)
Profit after taxation			44,107	39,134

There were no inter-segment sales during the two years ended 31 March 2002.

37 Segment information (continued)
FINANCIAL POSITIONS

	2002 HK\$'000	2001 HK\$'000
Assets		
Segment assets:		
- Knitted-to-shape garments	65,965	63,425
- Non knitted-to-shape garments	1,788	1,479
- Sub-contracting	5,905	813
- Unallocated segment assets	109,365	104,717
Interest in an associate	1,433	1,510
Unallocated corporate assets	82,976	32,586
	267,432	204,530
Liabilities		
Segment liabilities:		
- Knitted-to-shape garments	23,239	18,716
- Non knitted-to-shape garments	461	564
- Sub-contracting	872	—
Unallocated corporate liabilities	12,525	57,916
	37,097	77,196
Other information		
Capital additions in unallocated segment assets	11,705	14,337
Depreciation and amortisation		
- Knitted-to-shape garments	5,302	5,143
- Non knitted-to-shape garments	370	478
- Sub-contracting	493	359
	6,165	5,980

37 Segment information (continued)

(b) Geographical market:

The Group's operations are located in Hong Kong, Mainland China and Thailand.

The following table provides an analysis of the Group's sales by geographical market, irrespective of origin of the goods and services:

	Sales revenue by geographical market		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
United States of America	391,275	348,044	37,797	30,009
Europe	16,727	31,094	1,688	5,691
Asia	11,108	17,821	1,689	3,617
Australia	7,225	4,996	1,249	776
South America	49	881	11	185
Others	5,104	8,584	732	1,939
	431,488	411,420	43,166	42,217
Other income			5,304	5,300
Profit from operations			48,470	47,517

More than 90% of the Group's total segment assets are located in China including Hong Kong at 31 March 2001 and 2002.