1. CORPORATE INFORMATION

The head office and principal place of business of Glorious Sun Enterprises Limited is located at Glorious Sun Group Building, 97 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was engaged in the retailing, export and production of casual wear.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations - subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (CONTINUED)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 29 and 34 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in change to the previously adopted accounting treatment for intangible assets. Details of the prior year adjustment resulting from these changes of treatment are included in the financial statements (see note 19). The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 19), whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidation reserves. The adoption of the SSAP and Interpretation has no significant impact on the preparation of these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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. 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 impairment losses.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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.

Land and buildings are stated at valuation. It is the Group's policy to review regularly the carrying value of land and buildings, and adjustment is made where there has been a material change in value. Independent professional valuations are performed where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets and depreciation (continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset 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 a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Leasehold land	Over the lease terms
Freehold land	Nil
Buildings	1.67% – 5% per annum or over the terms of the leases, whichever is shorter
Leasehold improvements	20% – 25%
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	20% – 30%

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 asset 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 asset revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Textile quota entitlements

Temporary textile quota entitlements purchased from outside parties are charged to the profit and loss account at the time of utilisation, or in the absence of such utilisation, upon the expiry of the relevant utilisation period. The profit on disposal of temporary textile quota entitlements is recognised upon execution of a legally binding, unconditional and irrevocable transfer to a third party.

Permanent textile quota entitlements ("permanent quota") are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 1 to 3 years. Income and expenses arising from the temporary transfer of quota entitlements are dealt with in the profit and loss account.

In prior years, permanent quota were stated at cost less provisions for any permanent diminutions in values deemed necessary by the directors and no amortisation was made. On adoption of SSAP 29, the permanent quota previously unamortised has been restated retrospectively and has resulted in a prior year adjustment, further details of which are included in note 19 to the financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out and weighted average 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.

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 advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

Deferred tax

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

3. 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;

(c) income received and receivable from the temporary transfer of permanent quota, upon execution of a legally binding, unconditional and irrevocable transfer to a third party;

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

(e) dividends, when the shareholders' right to receive payment has been established; and

(f) rentals, on the straight-line basis over the lease terms.

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.

With respect to investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than equity, the resulting exchange differences on translation of the loans are included in the exchange fluctuation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Company's net investment in the enterprises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) has given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in note 12 to the financial statements.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. The MPF Scheme has operated since 1 December 2000. 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated two defined contribution retirement benefits schemes for its employees, the assets of which are held separately from those of the Group in independently administered funds. Under one of the schemes, contributions payable by the employers and employees were suspended in January 1994, but the administrator continues to manage and invest the assets of the scheme and to make payments to employees in accordance with the rules of the scheme. Under the other scheme, contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group employer contribution vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contribution. This scheme is still operating after 1 December 2000.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiary is required to contribute a percentage of their payroll costs to the central pension scheme.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) retail segment engages in retailing of causal wear;

(b) export segment manufactures and exports apparels; and

(c) other segment comprises trading of fabrics and other businesses.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	Retail operations		Export operations		Other operations		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment revenue:								
Sales to external customers	1,532,257	1,346,586	1,196,541	1,392,138	196,052	264,519	2,924,850	3,003,243
Other revenue and gains	8,930	2,013	25,034	60,271	37,977	29,498	71,941	91,782
Total revenue	1,541,187	1,348,599	1,221,575	1,452,409	234,029	294,017	2,996,791	3,095,025
Segment results	102,641	42,102	121,962	222,598	42,405	70,098	267,008	334,798
Interest income and unallocated revenue							25,285	34,435
Unallocated expenses							(25,594)	(21,169)
Profit from operating activities							266,699	348,064
Finance costs							(31,691)	(41,021)
Share of profit and losses of:								
– Jointly-controlled entities							4,720	8,110
– Associates							27,609	37,632
Profit before tax							267,337	352,785
Tax							(19,977)	(37,488)
Profit before minority interests							247,360	315,297
Minority interests							(94,595)	(134,671)
Net profit from ordinary activities attributable to shareholders							152,765	180,626

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

Group

	Retail operations		Export operations		Other operations		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment assets	490,771	505,323	702,450	770,461	167,450	234,627	1,360,671	1,510,411
Interests in associates	–	–	79,842	75,938	–	–	79,842	75,938
Interests in jointly – controlled entities	–	–	9,614	10,728	7,511	7,152	17,125	17,880
Unallocated assets							908,314	896,385
Total assets							2,365,952	2,500,614
Segment liabilities	136,631	99,297	272,614	230,882	180,240	266,340	589,485	596,519
Unallocated liabilities							365,391	521,129
Total liabilities							954,876	1,117,648
Other segment information:								
Depreciation and amortisation	71,021	62,955	48,874	45,105	3,352	4,142	123,247	112,202
Impairment losses recognised in the profit and loss account	–	–	–	378	–	–	–	378
Deficit on revaluation recognised in the profit and loss account	–	–	–	150	–	–	–	150
Surplus on revaluation recognised in the profit and loss account	–	–	–	950	–	150	–	1,100
Other non-cash expenses	7,843	15,917	78	–	825	166	8,746	16,083
Capital expenditure	46,548	97,107	64,106	61,142	5,332	5,477	115,986	163,726
Deficit on revaluation recognised directly in equity	–	–	–	–	–	415	–	415
Surplus on revaluation recognised directly in equity	–	–	–	1,665	–	842	–	2,507

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following table present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group

	Mainland China		Hong Kong		US		Australia and New Zealand		Canada		Others		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment revenue:														
Sales to external customers	1,048,600	839,540	136,133	201,102	1,082,277	1,260,185	516,696	527,085	45,026	30,869	96,118	144,462	2,924,850	3,003,243
Segment results	120,522	107,412	23,874	52,015	113,756	200,484	(9,833)	(62,434)	4,330	5,842	14,359	31,479	267,008	334,798
Other segment information:														
Segment assets	746,074	768,081	104,406	112,894	142,097	181,465	131,116	172,006	6,073	5,026	230,905	270,939	1,360,671	1,510,411
Capital expenditure	74,925	77,121	1,378	1,871	-	-	14,028	58,848	-	-	25,655	25,886	115,986	163,726

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-group transactions, and the total amount of quota income received and receivable from temporary transfers of permanent quota.

Revenue from the following activities has been included in turnover as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Retailing of causal wear	1,532,257	1,346,586
Export of apparels	1,196,541	1,392,138
Trading of fabric and other businesses	196,052	264,519
Turnover	2,924,850	3,003,243

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	2002 HK$'000	2001 HK$'000
Depreciation	120,082	108,543
Permanent quota:		
Amortisation for the year*	3,165	3,659
Impairment arising during the year*	–	378
	3,165	4,037
Minimum lease payments under operating leases:		
Land and buildings	237,544	223,401
Plant and machinery	1,256	492
	238,800	223,893
Auditors' remuneration	3,883	3,947
Staff costs (including directors' remuneration, note 7):		
Wages and salaries	480,181	471,589
Pension contributions	12,306	10,145
Less: Forfeited contributions refunded	(1,759)	(1,202)
Net pension contributions**	10,547	8,943
Total staff costs	490,728	480,532
Exchange losses/(gains), net	(1,294)	25,643
Revaluation deficit on an investment property	–	150
Net revaluation surplus on land and buildings	–	(1,100)
Loss on disposal of fixed assets	8,746	9,939
Fixed assets written off	–	3,236
Interest income	(23,788)	(33,773)
Gross rental income from an investment property	(208)	(208)
Less: Outgoings	10	12
Net rental income from an investment property	(198)	(196)

* The amortisation and impairment of permanent quota for the year are included in "Cost of sales" on the face of the consolidated profit and loss account.

** At 31 March 2002, the Group has no forfeited contributions available to reduce its contributions to the pension schemes in future years (2001: HK$942,000).

7. DIRECTORS' REMUNERATION

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

	Group	
	2002 HK$'000	2001 HK$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	200	200
	200	200
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	6,444	5,974
Discretionary bonuses	6,664	7,060
Pension contributions	261	258
	13,369	13,292

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

	Number of directors	
	2002	2001
Nil – HK$1,000,000	3	3
HK$1,000,001 – HK$1,500,000	1	1
HK$1,500,001 – HK$2,000,000	1	1
HK$2,500,001 – HK$3,000,000	1	1
HK$3,500,001 – HK$4,000,000	2	2
	8	8

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

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2001: two) directors, details of whose remuneration are set out in note 7 above. Further details of the remuneration of the remaining two (2001: three) non-director, highest paid employees are set out below.

	Group	
	2002 HK$'000	2001 HK$'000
Salaries, allowances and benefits in kind	2,517	3,491
Discretionary bonuses	4,033	5,976
Pension contributions	89	136
	6,639	9,603

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

	Number of employees	
	2002	2001
HK$2,500,001 – HK$3,000,000	–	1
HK$3,000,001 – HK$3,500,000	2	2
	2	3

9. FINANCE COSTS

	Group	
	2002 HK$'000	2001 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	31,451	40,608
Interest on finance leases	240	413
	31,691	41,021

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

	Group	
	2002 HK$'000	2001 HK$'000
Company and its subsidiaries:		
Hong Kong	11,287	24,093
Elsewhere	4,672	1,480
Deferred tax – note 20	–	6,458
	15,959	32,031
Share of tax attributable to associates:		
Hong Kong	–	90
Elsewhere	3,741	4,346
	3,741	4,436
Share of tax attributable to jointly-controlled entities:		
Elsewhere	277	1,021
Tax charge for the year	19,977	37,488

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company is HK$154,852,000 (2001: HK$428,163,000).

12. DIVIDENDS

	2002 HK$'000	2001 HK$'000
Interim – HK2.70 cents (2001: HK3.30 cents) per ordinary share	27,016	33,019
Proposed final – HK7.50 cents (2001: HK7.50 cents) per ordinary share	75,044	75,044
	102,060	108,063

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK$75,044,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 March 2001, by HK$75,044,000.

The effect of this change in accounting policy as at 31 March 2002, is that the current year's proposed final dividend of HK$75,044,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$152,765,000 (2001: HK$180,626,000 (as restated)) and 1,000,584,000 (2001: 1,000,584,000) shares in issue during the year.

(b) Diluted earnings per share

As the subscription prices of the share options outstanding during the years ended 31 March 2002 and 2001 are higher than the respective average market price of the Company's shares during both years, there is no dilution effect on the basic earnings per share.

14. FIXED ASSETS

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At 1 April 2001	74,473	255,741	323,187	228,401	41,341	923,143
Additions	7,479	43,306	38,453	20,105	4,934	114,277
Disposals	–	(32,273)	(14,354)	(22,719)	(4,104)	(73,450)
Disposal of subsidiaries	–	–	(496)	(26,960)	–	(27,456)
Exchange realignment	(413)	(289)	609	10,510	295	10,712
At 31 March 2002	81,539	266,485	347,399	209,337	42,466	947,226
Analysis of cost or valuation:						
At cost	–	266,485	347,399	209,337	42,466	865,687
At valuation 31 March 2002	81,539	–	–	–	–	81,539
	81,539	266,485	347,399	209,337	42,466	947,226
Accumulated depreciation:						
At 1 April 2001	–	129,662	125,193	129,203	26,027	410,085
Provided during the year	1,811	48,466	35,747	28,534	5,524	120,082
Disposals	–	(25,809)	(10,436)	(17,339)	(2,866)	(56,450)
Disposal of subsidiaries	–	–	(84)	(3,415)	–	(3,499)
Exchange realignment	–	(88)	651	5,605	200	6,368
At 31 March 2002	1,811	152,231	151,071	142,588	28,885	476,586
Net book value:						
At 31 March 2002	79,728	114,254	196,328	66,749	13,581	470,640
At 31 March 2001	74,473	126,079	197,994	99,198	15,314	513,058

At the balance sheet date, all the Group's land and buildings were stated at directors' valuation and the remaining fixed assets are stated at cost less accumulated depreciation. Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$57,262,000.

14. FIXED ASSETS (CONTINUED)

The land and buildings at valuation included above are held under the following lease terms:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Freehold	–	10,057	10,057
Long term leases	2,300	31,745	34,045
Medium term leases	–	37,437	37,437
	2,300	79,239	81,539

The net book value of the fixed assets held under finance leases included in the total amount of fixed assets at 31 March 2002 amounted to HK$2,757,000 (2001: HK$2,373,000).

At 31 March 2002, certain of the above properties held by the Group with a net book value of HK$45,402,000 (2001: HK$47,653,000) and certain of the Group's plant and machinery with a net book value of HK$2,466,000 (2001: HK$2,775,000) were pledged to secure banking facilities (note 26).

15. INVESTMENT PROPERTY

	Group	
	2002 HK$'000	2001 HK$'000
At 1 April	1,850	2,000
Revaluation deficit	–	(150)
At 31 March	1,850	1,850

The Group's investment property is situated in Hong Kong and held under a long term lease.

The Group's investment property was revalued on 31 March 2002 by DTZ Debenham Tie Leung Limited, independent professional valuers, at HK$1,850,000 on an open market value, based on its existing use. The investment property is leased to third parties under operating leases. The particulars of the Group's investment property are as follows:

Location	Use	Tenure	Attributable interest to the Group
Workshop Nos. 1, 2, 3 and 5 10th Floor, International Trade Centre No. 11 Sha Tsui Road Tsuen Wan New Territories	Industrial	Long term lease	60%

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	377,717	377,717
Due from a subsidiary	360,793	409,646
	738,510	787,363

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the principal subsidiaries are set out in note 39 to the financial statements.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002 HK$'000	2001 HK$'000
Share of net assets	34,055	34,365
Due from jointly-controlled entities	869	994
Due to jointly-controlled entities	(13,476)	(13,156)
	21,448	22,203
Provision for impairment	(4,323)	(4,323)
	17,125	17,880

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal jointly-controlled entities are set out in note 40 to the financial statements.

18. INTERESTS IN ASSOCIATES

	Group	
	2002 HK$'000	2001 HK$'000
Share of net assets	80,896	75,197
Due from associates	2,759	3,528
Due to associates	(3,813)	(2,787)
	79,842	75,938

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

Particulars of the principal associates are set out in note 41 to the financial statements.

19. PERMANENT QUOTA

	Group
	HK$'000
Cost:	
At 1 April 2001	
As previously reported	91,403
Reclassified to accumulated amortisation and impairment*	18,278
As restated	109,681
Additions	2,675
Exchange realignment	(1,307)
At 31 March 2002	111,049
Accumulated amortisation and impairment:	
At 1 April 2001	
As previously reported	–
Reclassified from cost*	18,278
Prior year adjustment**	88,535
As restated	106,813
Amortisation provided during the year	3,165
Exchange realignment	(1,146)
At 31 March 2002	108,832
Net book value:	
At 31 March 2002	2,217
At 31 March 2001 (as restated)	2,868

19. PERMANENT QUOTA (CONTINUED)

* Accumulated impairment losses are aggregated with accumulated amortisation under the disclosure requirement of SSAP 29, which was adopted during the year as detailed in note 2 to the financial statements, whereas previously they were disclosed as an adjustment to the cost of the assets. This change has been disclosed as a retrospective reclassification.

** In prior years, permanent quota were stated at cost less provisions for any permanent diminutions in values deemed necessary by the directors and no amortisation was made.

As detailed in notes 2 and 3 to the financial statements, the policy of accounting for permanent quota was changed during the year so as to comply with the new SSAP 29. In restating the results for prior years on the basis of the new requirement of SSAP 29, the profit for the year ended 31 March 2001 decreased HK$1,624,000, the retained profits brought forward as at 31 March 2000 and 2001 decreased HK$75,716,000 and HK$77,340,000, respectively, the exchange fluctuation reserve and minority interests brought forward as at 31 March 2001 increased HK$7,679,000 and decreased HK$18,874,000, respectively.

20. DEFERRED TAX

	Group	
	2002 HK$'000	2001 HK$'000
At 1 April	527	(7,622)
Exchange realignment	–	1,691
Charge for the year – note 10	–	6,458
At 31 March	527	527

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

	Provided		Not provided	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Tax losses carried forward	–	–	(8,629)	(6,286)
Others	527	527	557	1,468
	527	527	(8,072)	(4,818)

The revaluation of the Group's fixed assets and investment property do not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

No provision has been made for taxes which would arise on the remittance to Hong Kong of retained profits of overseas companies as it is not anticipated that these amounts will be remitted in the near future.

The Company had no unprovided deferred tax at the balance sheet date (2001: Nil).

21. INVENTORIES

	Group	
	2002 HK$'000	2001 HK$'000
Raw materials	164,072	241,031
Work in progress	53,951	51,413
Finished goods	275,417	223,300
	493,440	515,744

The carrying amount of inventories carried at net realisable value included in the above is HK$2,298,000 (2001: HK$20,308,000).

Certain of the Group's inventories with a carrying value at the balance sheet date of HK$83,035,000 (2001: HK$76,402,000) were pledged as security for the Group's banking facilities (note 26).

22. TRADE AND BILLS RECEIVABLE

The trade and bills receivable include trade receivable, net of provision for doubtful debts, of HK$111,793,000 (2001: HK$102,726,000) and bills receivable of HK$120,060,000 (2001: HK$176,619,000). The bills receivable were aged between 0 to 3 months at the balance sheet date for both years. The aged analysis of trade receivable is as follows:

	Group	
	2002 HK$'000	2001 HK$'000
0 – 3 months	83,746	67,843
4 – 6 months	26,311	26,529
Over 6 months	1,736	8,354
	111,793	102,726

The Group allows an average credit period of 45 days to its trade customers.

23. TRADE AND BILLS PAYABLE

The trade and bills payable include trade payable of HK$166,271,000 (2001: HK$191,734,000). The aged analysis of trade payable is as follows:

	Group	
	2002 HK$'000	2001 HK$'000
0 – 3 months	142,979	134,713
4 – 6 months	15,874	46,139
Over 6 months	7,418	10,882
	166,271	191,734

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
	Notes	2002 HK$'000	2001 HK$'000
Bank overdrafts		35,097	29,754
Bank loans		241,078	402,477
Trust receipts		28,375	1,461
Interest-bearing bank borrowings	25	304,550	433,692
Current portion of finance lease payables	29	753	796
		305,303	434,488

25. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2002 HK$'000	2001 HK$'000
Bank overdrafts:		
Secured	19,796	16,103
Unsecured	15,301	13,651
	35,097	29,754
Bank loans:		
Secured	119,404	237,200
Unsecured	149,807	220,250
	269,211	457,450
Trust receipts:		
Secured	28,375	1,461
	332,683	488,665
Analysed by repayment term:		
Bank overdrafts repayable on demand	35,097	29,754
Trust receipts repayable within one year	28,375	1,461
Bank loans repayable:		
Within one year	241,078	402,477
In the second year	23,448	15,063
In the third to fifth years, inclusive	4,685	39,910
	269,211	457,450
	332,683	488,665
Portion classified as current liabilities – note 24	(304,550)	(433,692)
Long term portion	28,133	54,973

26. BANKING FACILITIES

Certain of the Group's banking facilities are secured by:

(i) Mortgages over certain of the Group's land and buildings which have an aggregate net book value at the balance sheet date of HK$45,402,000 (2001: HK$47,653,000).

(ii) Mortgages over certain of the Group's plant and machinery which have an aggregate net book value at the balance sheet date of HK$2,466,000 (2001: HK$2,775,000).

(iii) Certain bank deposits at the balance sheet date of HK$41,706,000 (2001: HK$106,219,000).

(iv) Charges over certain of the Group's inventories with carrying value at the balance sheet date of HK$83,035,000 (2001: HK$76,402,000).

27. LOANS FROM MINORITY SHAREHOLDERS

The loans from minority shareholders are unsecured, interest bearing and was fully repaid during the year.

28. LONG TERM LOANS FROM MINORITY SHAREHOLDERS

The long term loans from minority shareholders are unsecured, interest-free and are repayable beyond one year.

29. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its manufacturing business. These leases are classified as finance leases and have remaining lease terms ranging from 3 to 5 years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Amounts payable:				
Within one year	976	968	753	796
In the second year	828	820	647	675
In the third to fifth years, inclusive	1,365	924	1,257	770
Total minimum finance lease payments	3,169	2,712	2,657	2,241
Future finance charges	(512)	(471)		
Total net finance lease payables	2,657	2,241		
Portion classified as current liabilities – note 24	(753)	(796)		
Long term portion	1,904	1,445		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

30. ISSUED CAPITAL

Shares

	Number of ordinary shares		Company	
	2002 '000	2001 '000	2002 HK$'000	2001 HK$'000
Authorised: Ordinary shares of HK$0.10 each	6,000,000	6,000,000	600,000	600,000
Issued and fully paid: Ordinary shares of HK$0.10 each	1,000,584	1,000,584	100,058	100,058

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 19 to 21.

During the year, no share options were granted or exercised, and share options for 228,000 and 800,000 shares previously granted to employees were lapsed and cancelled, respectively.

At the balance sheet date, the Company had 82,870,000 share options outstanding under the Scheme, with exercise periods ranging from 16 September 1997 to 30 October 2007 and subscription prices ranging from HK$1.800 to HK$2.876. The exercise in full of all outstanding options would, under the present capital structure of the Company, result in the issue of 82,870,000 additional shares of HK$0.10 each and proceeds of approximately HK$180,707,000.

31. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve *(note i)* HK$'000	Non–distributable reserves *(note ii)* HK$'000	Retained profits *(note ii)* HK$'000	Total HK$'000
At 1 April 2000:							
As previously reported	268,668	115,551	20,174	(65,909)	4,009	655,314	997,807
Prior year adjustments:							
SSAP 29 – recognition of the effect of amortising for permanent quota (notes 2 and 19)	–	–	–	6,188	–	(75,716)	(69,528)
At 1 April 2000 (as restated)	268,668	115,551	20,174	(59,721)	4,009	579,598	928,279
Revaluation surplus	–	–	2,092	–	–	–	2,092
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates (as restated)	–	–	–	(17,332)	–	–	(17,332)
Share of non-distributable reserves of jointly–controlled entities	–	–	–	–	297	(297)	–
Net profit for the year (as restated)	–	–	–	–	–	180,626	180,626
Interim 2001 dividend	–	–	–	–	–	(33,019)	(33,019)
Proposed final 2001 dividend	–	–	–	–	–	(75,044)	(75,044)
At 31 March 2001 (as restated)	268,668	115,551	22,266	(77,053)	4,306	651,864	985,602
Reserves retained by:							
Company and subsidiaries (as restated)	268,668	115,551	22,266	(60,646)	256	579,611	925,706
Jointly-controlled entities	–	–	–	(10,406)	4,050	(521)	(6,877)
Associates	–	–	–	(6,001)	–	72,774	66,773
31 March 2001	268,668	115,551	22,266	(77,053)	4,306	651,864	985,602

31. RESERVES (CONTINUED)

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve *(note i)* HK$'000	Non–distributable reserves *(note ii)* HK$'000	Retained profits *(note ii)* HK$'000	Total HK$'000
At 31 March 2001:							
As previously reported	268,668	115,551	22,266	(84,732)	4,306	729,204	1,055,263
Prior year adjustments: SSAP 29 – recognition of the effect of amortising for permanent quota (notes 2 and 19)	–	–	–	7,679	–	(77,340)	(69,661)
At 31 March 2001 (as restated)	268,668	115,551	22,266	(77,053)	4,306	651,864	985,602
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates	–	–	–	4,126	–	–	4,126
Release upon disposal of subsidiaries	–	–	–	7,861	–	–	7,861
Transfer from retained profit	–	–	–	–	95	(95)	–
Share of non-distributable reserves of jointly–controlled entities	–	–	–	–	841	(841)	–
Profit for the year	–	–	–	–	–	152,765	152,765
Interim 2002 dividend	–	–	–	–	–	(27,016)	(27,016)
Proposed final 2002 dividend	–	–	–	–	–	(75,044)	(75,044)
At 31 March 2002	268,668	115,551	22,266	(65,066)	5,242	701,633	1,048,294
Reserves retained by:							
Company and subsidiaries	268,668	115,551	22,266	(48,564)	351	625,295	983,567
Jointly-controlled entities	–	–	–	(10,406)	4,891	(1,675)	(7,190)
Associates	–	–	–	(6,096)	–	78,013	71,917
31 March 2002	268,668	115,551	22,266	(65,066)	5,242	701,633	1,048,294

31. RESERVES (CONTINUED)

Notes: (i) Included in the exchange realignment on translation of overseas subsidiaries is an amount of HK$44,953,000 (2001: HK$65,822,000), representing the exchange losses arising on the translation of amounts due from subsidiaries that are not repayable in the foreseeable future and, in the opinion of the directors, is part of the Company's net investment in the enterprises.

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

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2000	268,668	377,567	45,118	691,353
Profit for the year	–	–	428,163	428,163
Interim 2001 dividend	–	–	(33,019)	(33,019)
Proposed final 2001 dividend	–	–	(75,044)	(75,044)
At 31 March 2001 and 1 April 2001	268,668	377,567	365,218	1,011,453
Profit for the year	–	–	154,852	154,852
Interim 2002 dividend	–	–	(27,016)	(27,016)
Proposed final 2002 dividend	–	–	(75,044)	(75,044)
At 31 March 2002	268,668	377,567	418,010	1,064,245

The contributed surplus of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, 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. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK$'000	2001 HK$'000 (Restated)
Profit from operating activities	266,699	348,064
Depreciation	120,082	108,543
Permanent quota amortisation and impairment	3,165	4,037
Net revaluation surplus on land and buildings	–	(1,100)
Revaluation deficit on investment property	–	150
Loss on disposal on fixed assets	8,746	9,939
Gain on disposal of subsidiaries	(8,010)	–
Fixed assets written off	–	3,236
Interest income	(23,788)	(33,773)
Effect of foreign exchange differences	6,269	(15,747)
Decrease in amounts due from associates	769	1,522
Increase in amounts due to associates	1,026	572
Decrease in amounts due from jointly-controlled entities	125	330
Increase/(decrease) in amounts due to jointly-controlled entities	320	(69)
Decrease in inventories	5,421	59,846
Decrease/(increase) in trade and bills receivable	47,358	(55,097)
Decrease in prepayments, deposits and other receivables	35,161	34,583
Decrease in trade and bills payable	(73,994)	(15,380)
Increase in other payables and accruals	110,220	5,029
Net cash inflow from operating activities	499,569	454,685

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing during the year

	Finance lease obligations HK$'000	Bank loans HK$'000	Minority interests HK$'000	Loans from minority shareholders HK$'000
At 1 April 2000 as previously reported	4,435	434,584	233,769	25,768
Prior year adjustment	–	–	(18,551)	–
At 1 April 2000 (as restated)	4,435	434,584	215,218	25,768
Cash inflow/(outflow) from financing, net	(2,064)	43,413	–	3,472
Share of asset revaluation reserve	–	–	1,544	–
Share of profits for the year (as restated)	–	–	134,671	–
Dividends paid	–	–	(128,056)	–
Inception of finance lease contracts	538	–	–	–
Effect of foreign exchange rate changes, net (as restated)	(668)	(20,547)	(1,115)	–
At 31 March 2001 (as restated)	2,241	457,450	222,262	29,240
At 1 April 2001 as previously reported	2,241	457,450	241,136	29,240
Prior year adjustment (note 19)	–	–	(18,874)	–
At 1 April 2001 (as restated)	2,241	457,450	222,262	29,240
Cash outflow from financing, net	(673)	(176,806)	–	(19,840)
Share of profits for the year	–	–	94,595	–
Disposal of subsidiaries	–	(18,503)	–	–
Dividends paid	–	–	(129,969)	–
Inception of finance lease contracts	966	–	–	–
Effect of foreign exchange rate changes, net	123	7,070	792	–
At 31 March 2002	2,657	269,211	187,680	9,400

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Major 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$966,000.

(d) Disposal of subsidiaries

	HK$'000
Net liabilities disposed of:	
Fixed assets	23,957
Inventories	16,883
Cash and bank balances	2,529
Trade receivable	134
Prepayments and other receivables	2,509
Short term bank loan	(18,503)
Trade payable	(6,026)
Other payable and accruals	(9,354)
Shareholders' loan	(28,000)
	(15,871)
Exchange reserve realised upon disposal	7,861
Gain on disposal of subsidiaries	8,010
	–
Satisfied by:	
Cash	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration	–
Assignment of shareholders' loan	28,000
Cash and bank balances disposed of	(2,529)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	25,471

On 3 August 2001, the Group disposed certain of its subsidiaries engaged in the retailing of causal wear in Australia to a connected party, details of which are included in note 36 to the financial statements.

In respect of the cash flows for the year ended 31 March 2002, the subsidiaries disposed of in that year had no significant impact on the Group's cash flow. The results of the subsidiaries disposed of in the year ended 31 March 2002 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

33. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Bank guarantees provided for facilities granted to subsidiaries	–	–	1,199,162	1,252,453
Extent of the guaranteed facilities utilised by subsidiaries	–	–	269,762	338,021
Bills discounted with recourse	4,769	16,068	–	–

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 15 to the financial statements) under operating lease arrangement, with lease negotiated for terms of three years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Within one year	74	232
In the second to fifth years, inclusive	–	74
	74	306

34. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee

The Group leases certain of its retail stores and office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 3 to 6 years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002 HK$'000	2001 HK$'000 (Restated)
Within one year	185,316	212,312
In the second to fifth years, inclusive	298,814	304,819
After five years	117,423	106,376
	601,553	623,507

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had foreign currency forward contract commitments of HK$36,022,000 (2001: HK$24,350,000) at the balance sheet date.

At the balance sheet date, the Company had no material commitments.

36. CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions with the following companies:

(a) Rental expenses paid to related companies:

	2002 HK$'000	2001 HK$'000
Houtex Investments Limited	2,486	2,885
Golden Sunshine Enterprises Limited	4,975	5,069
G.S. (Yeungs) Limited	1,068	1,112
Harbour Guide Limited	1,989	2,543
Gantin Limited	312	328
Gloryear Management Limited	851	843

The rental expenses related to properties which were rented from above companies that are controlled by Mr. Charles Yeung, J.P. and Mr. Yeung Chun Fan, both of whom are directors of the Company. The rental expenses were charged with reference to open market rentals.

The independent non-executive directors of the Company have reviewed and confirmed that rental expenses paid to the above related companies are in the ordinary and usual course of the Group's business, and that in their opinion they are on terms that are fair and reasonable so far as the shareholders of the Company are concerned, and in accordance with the terms of the agreements governing the transactions.

(b) On 3 August 2001, Glorious Sun (Australia) Pty Limited ("GS Australia"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Garage International LLC ("GILLC") whereby GS Australia agreed to dispose of the entire issued share capital of Old Garage Pty Limited and its subsidiaries ("Old Garage Group") and to assign the shareholders' loan of A$7,000,000 (approximately HK$28,000,000) owed by Old Garage Group to the Group, to GILLC. GILLC is a company indirectly owned as to 75 per cent by the existing substantial shareholders and directors of the Company. The cash consideration for the disposal of subsidiaries and assignment of shareholders' loan is A$2 (approximately HK$8) and A$7,000,000 (approximately HK$28,000,000), respectively. Details of the connected transaction have been included in an announcement of the Company dated 3 August 2001.

37. RELATED PARTY TRANSACTIONS

In addition to the connected transactions as set out in note 36, the Group had the following material transactions with related parties during the year:

	Notes	2002 HK$'000	2001 HK$'000
Purchases of raw materials from a jointly-controlled entity	(i)	4,511	20,129
Processing charges paid to jointly-controlled entities	(ii)	71,865	56,945
Processing charges paid to associates	(ii)	54,823	62,546

(i) The directors consider that purchases of raw materials were made according to terms and conditions comparable to those offered to other customers of the jointly-controlled entity.

(ii) The processing charges were calculated at the costs incurred by the jointly-controlled entities and associates plus a mark-up agreed between the parties.

38. POST BALANCE SHEET EVENTS

On 10 June 2002, the Group entered into a conditional sale and purchase agreement with Old Garage Pty Limited (the "Purchaser") whereby the Group agreed to dispose of the entire issued share capital of Jeanswest Corporation (New Zealand) Limited ("JC(NZ)"), a wholly-owned subsidiary of the Group, and to assign a shareholder's loan of A$3,800,000 (approximately HK$17,100,000) owed by JC(NZ) to the Group, to the Purchaser. The Purchaser is indirectly owned as to 75 per cent by the existing substantial shareholders and directors of the Company. The aggregate consideration for the disposal of subsidiaries and assignment of shareholders' loan is A$3,800,002 (approximately HK$17,100,007). On 10 July 2002, the Group entered into a management services agreement with JC(NZ) to provide comprehensive management services at a management fee of A$1,350,000 (approximately HK$6,075,000) per annum. The services commenced on 10 July 2002.

These transactions were completed before the date of approval of these financial statements. The directors do not expect any material gain or loss arising from these transactions. Details of the connected transaction have been included in an announcement of the Company dated 10 June 2002.

39. PARTICULARS OF SUBSIDIARIES

The table below 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.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
Glorious Sun Enterprises (BVI) Limited *	British Virgin Islands/ Hong Kong	US$200	100%	100%	Investment holding
Jeanswest (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
Jeanswest International (L) Limited	Malaysia/ Hong Kong	US$1	100%	100%	Investment holding
Glorious Sun Licensing (L) Limited	Malaysia/ Hong Kong	US$1	100%	100%	Holding of trademark
Jeanswest Investments (Australia) Pty. Ltd.	Australia	A$12,002,202	100%	100%	Investment holding
Jeanswest Wholesale Pty. Ltd.	Australia	A$2	100%	100%	Trading of apparel
Jeanswest Corporation Pty. Ltd.	Australia	A$11,000,000 Ordinary A$1,000,000 A class shares	100%	100%	Retail of apparel in Australia
Jeanswest Corporation (New Zealand) Limited	New Zealand	NZ$100,000 Ordinary	100%	100%	Retail of apparel in New Zealand

39. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group 2002	2001	Principal activities
Renher Pty. Ltd.	Australia	A$2,200 Ordinary	100%	100%	Provision of shop leasing services in Australia
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	100%	100%	Retail of apparel in Mainland China
Advancetex Dress (Hu Bei) Co., Ltd.	Mainland China	HK$5,500,000	100%	100%	Trading of apparel in Mainland China
Advancetex Investment Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	100%	100%	Retail of apparel in Mainland China
Jeanswest Apparels Co. (Huizhou) Ltd.	Mainland China	HK$15,000,000 paid up to HK$12,800,000	100%	100%	Selling of apparel in Mainland China
Glorious Sun Industries (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
The Glorious Sun Fashion Garment Manufactory (H.K.) Limited	Hong Kong	HK$2,600,000 Ordinary	100%	100%	Trading and manufacturing of apparel and provision of management services

39. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group 2002	2001	Principal activities
Jimfook Limited	Hong Kong	HK$2 Ordinary	100%	100%	Provision of sales promotion services
Pacific Potential Trading Company Limited	Hong Kong	HK$200,000 Ordinary	100%	100%	Provision of agency services
Glorious Sun Sample Manufacturing Limited	Hong Kong/ Mainland China	HK$2 Ordinary	100%	100%	Manufacturing of apparel samples
Stonewash (G.S.) Limited	Hong Kong/ Mainland China	HK$2 Ordinary	100%	100%	Provision of washing know-how and laundry services
Advancetex International Trading (HK) Company Limited	Hong Kong	HK$6,000,000 Ordinary	100%	100%	Trading and production of apparel
Parkent Industries Limited	Hong Kong	HK$600,000 Ordinary	100%	100%	Import and export of apparel
Gold Treasure Investment Limited	Hong Kong	HK$2 Ordinary	100%	100%	Provision of production management services
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited	Mainland China	US$8,000,000 paid up to US$6,000,000	100%	100%	Manufacturing of apparel

39. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group 2002	2001	Principal activities
Glorious Sunshine Textiles Company Limited	Hong Kong	HK$10,000,000 Ordinary	100%	100%	Import and distribution of textile products
Sparrow Apparels Limited	Bangladesh	Tk10,000,000 Ordinary	70%	70%	Manufacturing of apparel
Gennon Industries Limited	Hong Kong	HK$10,000 Ordinary	100%	100%	Investment holding
Gennon International Trading (H.K.) Limited	Hong Kong	HK$500,000 Ordinary	50.4%	50.4%	Trading of apparel and investment holding
J-Loong Trading Limited	Hong Kong	HK$300,000 Ordinary	50.4%	50.4%	Import and export of apparel
Chapman Development Limited	Hong Kong	HK$1,000 Ordinary	50.4%	50.4%	Trading of fabric and investment holding
Main Pui Investments Limited	Hong Kong	HK$1,460,000 Ordinary	50.4%	50.4%	Property holding
Super Connection International Limited	British Virgin Islands/ Cambodia	US$1,000 Ordinary	50.4%	50.4%	Provision of management services
Recent Garments and Knitting Industries Ltd.	Bangladesh	Tk100,000 Ordinary	35.3%	35.3%	Manufacturing of apparel

39. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group 2002	2001	Principal activities
P.T. Sandangpantas Lestari **	Indonesia	Rp120,000,000 Ordinary	50.4%	50.4%	Manufacturing of apparel
Shamoli Garments Limited	Bangladesh	Tk10,000,000 Ordinary	35.3%	35.3%	Manufacturing of apparel
P.T. Crownfund Garment Factory **	Indonesia	US$600,000	47.9%	47.9%	Manufacturing of apparel
Gennon (Cambodia) Garment Manufacturing Ltd. **	Cambodia	US$1,000,000 Ordinary	50.4%	50.4%	Manufacturing of apparel
Huizhou Ming Hoi Knitting & Dyeing Factory Co., Ltd.	Mainland China	US$4,000,000 paid up to US$3,444,455	45.4%	45.4%	Manufacturing of apparel and fabric
Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd.	Mainland China	HK$142,660,000 paid up to HK$69,161,576	48.6%	46.4%	Provision of dyeing services
Recent Sweaters Limited	Bangladesh	Tk1,000,000 Ordinary	35.3%	35.3%	Manufacturing of apparel
Rays The Glorious Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
Full Yuen Investments Limited	Hong Kong	HK$2 Ordinary	100%	100%	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Co., Ltd.	Mainland China	US$2,100,000	65%	65%	Interior decoration and renovation services
Famebish Industrial Limited	Hong Kong	HK$100,000 Ordinary	60%	60%	Trading of apparel

* Directly held by the Company

** Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

40. PARTICULARS OF JOINTLY-CONTROLLED ENTITIES

The table below lists the jointly-controlled entities 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 jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the principal jointly-controlled entities are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity attributable to the Group* 2002	2001	Principal activities
Changjin Garments Mfy. Ltd.	Corporate	Mainland China	30%	30%	Manufacturing of apparel
Hubei Chang Xu Clothes Making Co., Ltd.	Corporate	Mainland China	30%	30%	Manufacturing of apparel
Jida Garment Co., Ltd.	Corporate	Mainland China	30%	30%	Manufacturing of apparel
Nanjing Jiangda Apparel Co., Ltd.	Corporate	Mainland China	45%	45%	Manufacturing of apparel
Mingshi Dyeing Factory Co., Ltd.	Corporate	Mainland China	40%	40%	Provision of dyeing services
Hubei Xian Garment Mfg. Co., Ltd.	Corporate	Mainland China	15.1%	15.1%	Manufacturing of apparel

All jointly-controlled entities are not audited by Ernst & Young or other Ernst & Young International member firms.

* The percentage of voting power and profit share are the same as the percentage of equity attributable to the Group.

41. PARTICULARS OF ASSOCIATES

The table below lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All associates are held indirectly through subsidiaries.

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation or registration/ operations	Percentage of equity attributable to the Group 2002	2001	Principal activities
Glorious Sun Fashion Garment Mfg. Co. (Phil.) Inc.	Corporate	Philippines	49.5%	49.5%	Manufacturing of apparel
Rays Apparel (H.K.) Limited	Corporate	Hong Kong	35%	35%	Provision of agency services
Zeppelin (H.K.) Limited	Corporate	Hong Kong	50%	50%	Trading of apparel
Rays Apparel, Inc.	Corporate	U.S.A.	35%	35%	Import and distribution of apparel
RTG Garments Manufacturing (HK) Limited	Corporate	Hong Kong	50%	50%	Manufacturing of apparel

The financial statements of the above associates are non-coterminous with those of the Group, and each has a financial year ending 31 December. The consolidated financial statements have been adjusted for material transactions between the associates and Group companies between 1 January and 31 March.

All associates are not audited by Ernst & Young or other Ernst & Young International member firms.

42. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 July 2002.