

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 16 to the financial statements.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in the Group’s financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits of the Group and the Company as at April 1, 2000 by HK\$52,821,000.

Leases

SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts and disclosures have been restated in order to achieve a consistent presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended March 31, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisition prior to April 1, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to April 1, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisition after April 1, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Negative goodwill arising on acquisitions after April 1, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting policies generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

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

Investments in subsidiaries

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

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, the Group's interests in associates are stated at the Group's share of net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to the property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewal period, is of twenty years or less.

Property, plant and equipment

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

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

Freehold land	Nil
Leasehold land and land use rights	Over the remaining terms of the leases or rights
Buildings	4%
Leasehold improvements	Over the shorter of the terms of the leases and five years
Plant, machinery, furniture and fixtures	12.5%-20%
Motor vehicles	12.5%-20%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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.

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. An impairment loss is 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.

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as finance leases obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Textile quota entitlements

The cost of temporary quota entitlements is charged to the income statement in the year in which they are used.

Permanent quota entitlements purchased from outsiders are stated at cost less amortisation and any accumulated impairment losses. Permanent quota entitlements is amortised, using the straight-line method, over a period of five years commencing in the year of acquisition.

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers during the year.

Revenue recognition

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

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

Rental income, including rentals invoiced in advance for properties under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Taxation

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

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of the subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

Contributions payable by the Group to its defined contribution retirement benefits scheme and the Hong Kong Mandatory Provident Fund Scheme are charged to the income statement in the period in which they become payable.

4. SEGMENT INFORMATION

Business segments

The Group is principally engaged in the manufacture and sale of garments. Accordingly, no business segments analysis of financial information is provided.

Geographical segments

The Group's manufacture and sale of garments business is principally located in United States of America ("USA"), Canada, Asia and Europe and others.

The Group reports its segment information on geographical location of its customers and the segment information about these geographical markets is presented below:

2002

	USA	Canada	Asia	Europe and others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
Sales of goods	1,231,992	11,307	134,681	30,770	1,408,750
SEGMENT RESULT					
	85,074	815	14,026	2,385	102,300
Other operating income					11,072
Profit from operations					113,372
Finance costs					(1,804)
Share of results of associates					2,060
Profit before taxation					113,628
Taxation					(13,554)
Profit after taxation					100,074

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

4. SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

2002

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	393,024	3,875	60,746	9,918	467,563
Investments in associates					9,392
Unallocated corporate assets					349,289
<hr/>					
Consolidated total assets					826,244
<hr/>					
LIABILITIES					
Segment liabilities	189,790	1,804	23,043	6,052	220,689
Unallocated corporate liabilities					16,852
<hr/>					
Consolidated total liabilities					237,541
<hr/>					
OTHER INFORMATION					
Capital expenditure	9,427	75	1,773	149	11,424
Depreciation and amortisation	18,385	212	3,306	434	22,337

2001

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
TURNOVER					
Sales of goods	1,532,999	11,690	127,447	25,267	1,697,403
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SEGMENT RESULT	120,039	967	16,236	2,636	139,878
<hr/>					
Other operating income					11,056
<hr/>					
Profit from operations					150,934
Finance costs					(2,522)
Share of results of associates					1,687
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Profit before taxation					150,099
Taxation					(19,451)
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Profit after taxation					130,648

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

4. SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

2001

	USA	Canada	Asia	Europe and others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	444,863	2,722	45,506	7,398	500,489
Investments in associates					5,127
Unallocated corporate assets					347,608
Consolidated total assets					853,224
LIABILITIES					
Segment liabilities	240,099	1,393	19,521	4,443	265,456
Unallocated corporate liabilities					24,163
Consolidated total liabilities					289,619
OTHER INFORMATION					
Capital additions	12,860	53	1,586	129	14,628
Depreciation and amortisation	18,222	129	2,367	312	21,030

In addition to the analysis by the geographical location of its customers, the following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	89,360	66,774	396	469
Hong Kong	472,454	515,757	2,296	2,253
The PRC	223,750	227,717	6,069	5,551
Others	40,680	42,976	2,663	6,355
	826,244	853,224	11,424	14,628

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

5. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Bank interest income	7,162	7,476
Interest from debt securities	79	214
Rental income from properties under operating leases, net of outgoings of HK\$234,000 (2001: HK\$138,000)	3,831	3,366
	11,072	11,056

6. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' emoluments (note 8)		
Fees	245	240
Other emoluments	14,808	13,940
Other staff costs including retirement benefits scheme contributions	207,939	212,354
Total staff costs	222,992	226,534
Amortisation of permanent textile quota entitlements	51	51
Auditors' remuneration	907	1,002
Depreciation and amortisation		
Owned assets	22,249	20,920
Assets held under finance leases	37	59
Loss on disposal of property, plant and equipment	176	313
Loss on dissolution of a subsidiary	2	11
Temporary quota expenses	27,431	45,929

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

7. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings and bills discounted	1,784	2,499
Finance leases	20	23
	1,804	2,522

8. DIRECTORS' EMOLUMENTS

Particulars of the emoluments of the directors for the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive directors	–	–
Non-executive directors		
Independent	185	180
Other	60	60
	245	240
Other emoluments:		
Executive directors		
Salaries and other benefits	9,225	9,471
Performance related incentive payments	4,823	3,771
Retirement benefits scheme contributions	60	16
Non-executive directors		
Independent	–	–
Other, being salaries and other benefits	700	682
Retirement benefits scheme contributions	–	–
	14,808	13,940
	15,053	14,180

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

8. DIRECTORS' EMOLUMENTS (continued)

The aggregate emoluments of each of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	7	6
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$7,500,001 to HK\$8,000,000	1	–

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three directors (2001: two directors), details of whose emoluments are set out in note 8 above. The emoluments of the remaining two (2001: three) highest paid individuals are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	5,080	7,198
Performance related incentive payments	250	876
Retirement benefits scheme contributions	12	4
	5,342	8,078

The aggregate emoluments of each of the employees were within the following bands:

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

During two years ended March 31, 2002 and 2001, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year ended March 31, 2002 and 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

10. TAXATION

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	9,909	13,812
Taxation in other jurisdictions	3,684	5,528
Share of taxation on results of associates	376	286
	13,969	19,626
Deferred taxation (note 26)	(415)	(175)
	13,554	19,451

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

Details of deferred taxation for the year are set out in note 26.

11. DIVIDENDS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
2002 interim dividend of 5 cents (2001: 5.5 cents) per share paid	17,607	19,368
2001 final dividend of 15 cents (2000: 10 cents) per share paid	52,821	35,214
2000 special dividend of 5 cents per share paid	–	17,607
	70,428	72,189

The final dividend of 11.5 cents (2001: 15 cents) per share and a special dividend of 2 cents (2001: Nil) per share have been proposed by the directors and is subject to approval by the shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$87,889,000 (2001: HK\$120,733,000) and on the number of 352,137,298 shares (2001: 352,137,298 shares) in issue during the year.

13. INVESTMENT PROPERTIES

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
VALUATION		
Balance brought forward	12,100	13,300
Revaluation decrease	–	(1,200)
	<hr/> 12,100	<hr/> 12,100
Balance carried forward	12,100	12,100

The investment properties of the Group were revalued at March 31, 2002 on the open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers. All of the investment properties of the Group are rented out under operating leases.

The investment properties of the Group are held under medium-term leases and are situated in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements, plant, machinery, furniture and fixtures	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
COST				
At April 1, 2001	135,421	177,013	4,804	317,238
Currency realignment	431	124	8	563
Additions	12	11,053	359	11,424
Disposals	–	(2,070)	(163)	(2,233)
At March 31, 2002	135,864	186,120	5,008	326,992
DEPRECIATION AND AMORTISATION				
At April 1, 2001	26,099	108,052	2,869	137,020
Currency realignment	18	9	2	29
Provided for the year	4,293	17,431	562	22,286
Eliminated on disposals	–	(1,623)	(105)	(1,728)
At March 31, 2002	30,410	123,869	3,328	157,607
NET BOOK VALUES				
At March 31, 2002	105,454	62,251	1,680	169,385
At March 31, 2001	109,322	68,961	1,935	180,218

Land and buildings include medium-term land use rights and buildings situated in the PRC with an aggregate net book value amounting to HK\$53,307,000 (2001: HK\$55,826,000) and freehold land and buildings situated overseas with an aggregate net book value amounting to HK\$14,441,000 (2001: HK\$14,454,000). All other land and buildings of the Group are situated in Hong Kong and held under medium-term leases.

The net book value of property, plant and equipment includes an amount of HK\$200,000 (2001: HK\$130,000) in respect of assets held under finance leases.

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For the year ended March 31, 2002

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements, plant, machinery, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At April 1, 2001	6,339	710	7,049
Additions	618	–	618
At March 31, 2002	6,957	710	7,667
DEPRECIATION			
At April 1, 2001	6,118	12	6,130
Provided for the year	174	142	316
At March 31, 2002	6,292	154	6,446
NET BOOK VALUES			
At March 31, 2002	665	556	1,221
At March 31, 2001	221	698	919

15. PERMANENT TEXTILE QUOTA ENTITLEMENTS

	THE GROUP <i>HK\$'000</i>
COST	
At April 1, 2001 and March 31, 2002	255
AMORTISATION	
At April 1, 2001	51
Provided for the year	51
At March 31, 2002	102
NET BOOK VALUES	
At March 31, 2002	153
At March 31, 2001	204

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For the year ended March 31, 2002

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	78,817	74,414

Particulars of the Company's principal subsidiaries at March 31, 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital (HK\$ unless otherwise indicated)	Proportion of nominal value of issued share capital/common stock/registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Attune New York Inc.	USA	US\$90,000	–	100	Garment trading
Do Do Fashion Limited	Hong Kong	720,000	100	–	Garment manufacture
Dorcash Industrial Limited	Hong Kong	20	100	–	Property holding
Fashiontex Sdn. Bhd.	Malaysia	M\$3,000,000	100	–	Garment manufacture
Golden Fountain Industrial Company Limited	Hong Kong	500,000	100	–	Property holding
Golden Will Fashions Limited	Hong Kong	10,000	–	60	Garment trading
Golden Will Fashions Phils., Inc.	The Philippines	P\$1,000,000	–	60	Garment manufacture
Sing Yang (Overseas) Limited	Hong Kong*	100,000	100	–	Garment manufacture
Sing Yang Services Limited	Hong Kong	100,000	100	–	Management services
Sing Yang Trading Limited	Hong Kong	100,000	100	–	Garment trading
Tung Thai Fashions Limited	Thailand	Baht100,000,000	100	–	Garment manufacture

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital (HK\$ unless otherwise indicated)	Proportion of nominal value of issued share capital/common stock/registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Tungtex Trading Company Limited	Hong Kong	6,000,000	100	–	Garment manufacture
Tungtex (UK) Limited	United Kingdom	£10,000	100	–	Agent in garment
Tungtex (U.S.A.) Inc.	USA	US\$838,802	100	–	Investment holding
West Pacific Enterprises Corporation	USA	US\$3,217,836	–	100	Garment design and trading
Winnertex Fashions Limited	Hong Kong	100	–	75	Garment manufacture
Yellow River, Inc.	USA	US\$80,000	–	51	Garment design and trading
中山同得仕絲綢服裝 有限公司	PRC	22,800,000	–	90	Garment manufacture
華裳服裝(深圳)有限公司	PRC	5,000,000	–	100	Garment manufacture
深圳華富織造印染有限公司	PRC	US\$2,000,000	–	88	Garment manufacture
深圳百多爾時裝有限公司	PRC	Rmb2,500,000	–	95	Garment manufacture

* *Sing Yang (Overseas) Limited operates in the PRC.*

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENTS IN ASSOCIATES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
THE GROUP		
Share of net assets	9,392	5,127
THE COMPANY		
Capital contribution, at cost	1,686	–

Particulars of the Group's associates at March 31, 2002, which are registered and operate in the PRC, are as follows:

Name of associate	Proportion of registered capital held by the Group %	Principal activities
深圳浙絲服裝有限公司	36	Garment manufacture
番禺市金源時裝有限公司	30	Garment manufacture
嵊州同泰絲服飾有限公司	30	Garment manufacture
德清華高時裝有限公司	25	Garment manufacture
杭州錦標時裝有限公司	25	Garment manufacture

18. INVESTMENTS IN SECURITIES

	THE GROUP AND THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current investments		
Held-to-maturity debt securities	1,548	1,934
Investment securities, being listed shares overseas, at cost	581	581
	2,129	2,515
Market value of listed shares at March 31	305	309

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

19. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	27,466	27,005
Work in progress	44,366	42,160
Finished goods	35,848	28,032
	107,680	97,197

Included above are raw materials of HK\$1,522,000 (2001: HK\$1,754,000) and finished goods of HK\$2,744,000 (2001: Nil) which are carried at net realisable values.

20. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables with the following aged analysis:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Up to 30 days	141,796	137,181
31 - 60 days	21,704	51,298
61 - 90 days	3,719	2,544
	167,219	191,023

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aged analysis:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Up to 30 days	65,204	81,725
31 - 60 days	25,543	37,010
61 - 90 days	7,738	5,843
More than 90 days	3,721	6,271
	102,206	130,849

22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance leases:				
Within one year	88	44	64	34
In the second to fifth year inclusive	148	56	108	40
	236	100	172	74
<i>Less:</i> Future finance charges	(64)	(26)	N/A	N/A
Present value of lease obligations	172	74	172	74
<i>Less:</i> Amount due within one year shown under current liabilities			(64)	(34)
Amount due after one year			108	40

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

22. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is three years. For the year ended March 31, 2002, the effective borrowing rate was 17.4%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligation under finance leases are secured by the lessors' charge over the leased assets.

23. BANK BORROWINGS

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings comprise the following:		
Bank overdrafts	3,915	4,778
Trust receipt loans	12,937	19,385
	16,852	24,163
Analysed as:		
Secured	16,108	24,163
Unsecured	744	–
	16,852	24,163

All bank borrowings at the balance sheet date are repayable within one year or upon demand and are included under current liabilities. The outstanding bank loans as at balance sheet date bear interest at market rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

24. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.20 each		
At April 1, 2000, March 31, 2001 and 2002	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.20 each		
At April 1, 2000, March 31, 2001 and 2002	352,137,298	70,428

There were no movements in the Company's share capital for both years.

25. RESERVES

	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Share premium account HK\$'000	Goodwill HK\$'000	Negative goodwill HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP								
Balance at April 1, 2000								
- as originally stated	1,956	3,848	84,880	(12,381)	19,636	(6,246)	255,025	346,718
- as adjusted for derecognition of liability for 2000 final and special dividends	-	-	-	-	-	-	52,821	52,821
- as restated	1,956	3,848	84,880	(12,381)	19,636	(6,246)	307,846	399,539
Exchange differences arising on consolidation	-	-	-	-	-	(193)	-	(193)
Deficit arising on revaluation of investment properties	(1,200)	-	-	-	-	-	-	(1,200)
Profit attributable to shareholders	-	-	-	-	-	-	120,733	120,733
Dividends (note 11)	-	-	-	-	-	-	(72,189)	(72,189)
Balance at March 31, 2001 and April 1, 2001	756	3,848	84,880	(12,381)	19,636	(6,439)	356,390	446,690
Realised on dissolution of a subsidiary	-	-	-	3	-	-	-	3
Exchange differences arising on consolidation	-	-	-	-	-	214	-	214
Profit attributable to shareholders	-	-	-	-	-	-	87,889	87,889
Dividends (note 11)	-	-	-	-	-	-	(70,428)	(70,428)
Balance at March 31, 2002	756	3,848	84,880	(12,378)	19,636	(6,225)	373,851	464,368

The accumulated profits of the Group included accumulated losses of HK\$2,010,000 (2001: accumulated losses of HK\$2,234,000) attributable to associates of the Group.

The exchange reserve of the Group included HK\$1,636,000 (2001: HK\$1,636,000) attributable to associates of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

25. RESERVES (continued)

	Capital redemption reserve <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
Balance at April 1, 2000				
– as originally stated	3,848	84,880	59,871	148,599
– as adjusted for derecognition of liability for 2000 final and special dividends	–	–	52,821	52,821
– as restated	3,848	84,880	112,692	201,420
Profit for the year	–	–	90,004	90,004
Dividends (note 11)	–	–	(72,189)	(72,189)
Balance at March 31, 2001 and April 1, 2001	3,848	84,880	130,507	219,235
Profit for the year	–	–	15,114	15,114
Dividends (note 11)	–	–	(70,428)	(70,428)
Balance at March 31, 2002	3,848	84,880	75,193	163,921

The Company's reserves available for distribution to shareholders as at March 31, 2002 comprise the accumulated profits of HK\$75,193,000 (2001: HK\$130,507,000).

26. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance brought forward	2,943	3,118
Credit for the year (note 10)	(415)	(175)
Balance carried forward	2,528	2,943

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

26. DEFERRED TAXATION (continued)

At the balance sheet date, the major components of the deferred taxation liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation and amortisation	3,879	3,787	421	339
Taxation losses	(932)	(761)	(2,451)	(2,302)
Other timing differences	(419)	(83)	–	–
	2,528	2,943	(2,030)	(1,963)

The amount of the unprovided deferred tax (credit) charge for the year is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Difference between depreciation and amortisation and tax allowances	82	(26)
Tax losses arising	(149)	(128)
	(67)	(154)

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	113,628	150,099
Bank interest income	(7,162)	(7,476)
Interest from debt securities	(79)	(214)
Interest expenses	1,804	2,522
Rental income received	(3,831)	(3,366)
Amortisation of permanent textile quota entitlements	51	51
Depreciation and amortisation of property, plant and equipment	22,286	20,979
Loss on disposal of property, plant and equipment	176	313
Loss on dissolution of a subsidiary	2	11
Share of results of associates	(2,060)	(1,687)
(Increase) decrease in inventories	(10,483)	8,690
Decrease in trade and other receivables	34,895	7,731
Decrease in trade receivables from associates	–	718
(Decrease) increase in trade and other payables	(39,004)	35,490
Increase in trade payables to associates	4,579	3,831
	<hr/>	<hr/>
Net cash inflow from operating activities	114,802	217,692

28. DISSOLUTION OF A SUBSIDIARY

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets deconsolidated on dissolution:		
Trade and other payables	(1,817)	(1,535)
Minority interest	4	154
	<hr/>	<hr/>
	(1,813)	(1,381)
Capital reserve realised on dissolution	3	–
Waiver of amount due from the subsidiary being dissolved	1,812	1,392
Loss on dissolution of a subsidiary	(2)	(11)
	<hr/>	<hr/>
	–	–

The subsidiary dissolved during the year did not have any significant impact on the Group's cash flows or operating results.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank borrowings	Obligations under finance leases	Minority interests
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at April 1, 2000	15,317	121	39,022
Profit attributable to minority shareholders	–	–	9,915
Dividends paid to minority shareholders of subsidiaries	–	–	(2,680)
On dissolution of a subsidiary	–	–	154
Exchange differences	–	–	76
Inception of finance leases	–	60	–
Bank borrowings raised during the year	4,840	–	–
Repayments during the year	(15,317)	(107)	–
Balance at March 31, 2001 and April 1, 2001	4,840	74	46,487
Profit attributable to minority shareholders	–	–	12,185
Dividends paid to minority shareholders of subsidiaries	–	–	(4,800)
On dissolution of a subsidiary	–	–	4
Exchange differences	–	–	31
Inception of finance leases	–	183	–
Bank borrowings raised during the year	12,937	–	–
Repayments during the year	(4,840)	(85)	–
Balance at March 31, 2002	12,937	172	53,907

30. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances and cash	335,060	332,993
Bank overdrafts	(3,915)	(4,778)
Trust receipt loans	–	(14,545)
	331,145	313,670

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

31. OPERATING LEASES COMMITMENTS

The Group as lessee

The Group made minimum lease payments paid under operating leases during the year in respect of rented premises amounting to approximately HK\$16,149,000 (2001: HK\$14,152,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	17,323	13,377
In second to fifth year inclusive	27,086	19,956
Over five years	2,532	905
	46,941	34,238

Operating lease payments represented rentals payable by the Group for certain of its office properties and retail shops. Leases are negotiated for an average term of four years and rentals are fixed for an average of one year.

The Group as lessor

Property rental income earned during the year was HK\$4,065,000 (2001: HK\$3,504,000). All of the properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	1,982	3,245
In second to fifth year inclusive	736	1,216
	2,718	4,461

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

32. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital expenditure committed as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for but not provided for in the financial statements		
relating to property, plant and equipment	380	165

The Company did not have any capital commitments at the balance sheet date.

33. CONTINGENT LIABILITIES

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	42,506	41,528

The Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of HK\$147 million (2001: HK\$119 million). The Company has also issued unlimited guarantees to banks to secure banking facilities granted to certain subsidiaries. The extent of all the above facilities utilised by the subsidiaries at March 31, 2002 amounted to approximately HK\$17 million (2001: HK\$24 million).

34. PLEDGE OF ASSETS

At the balance sheet date, certain land and buildings with an aggregate net book value of approximately HK\$36 million (2001: HK\$40 million) were pledged to banks to secure general banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

35. RETIREMENT BENEFITS SCHEME

The Group participate in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the “MPF Ordinance”), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 1, 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year, the total amount contributed by the Group to the scheme and charged to the income statement was approximately HK\$3,190,000 (2001: HK\$1,125,000).

The employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

36. RELATED PARTIES TRANSACTIONS

During the year, the Group had significant transactions with related parties, details of which are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayment of a loan from a minority shareholder (Note a)	–	622
Purchase of raw materials and finished goods from associates (Note b)	20,161	30,129

Notes:

- a. *The loan was secured, carried interest at prime rate and was fully settled as at March 31, 2001.*
- b. *The transactions were carried out at cost plus a percentage of profit mark up.*

Save as disclosed above, there were no other significant transactions with related parties during the year.