

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of fabric knitting, dyeing and finishing services, the production and sale of finished knitted fabric and trading of garment products.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Company's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure 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 and disclosure for the current or prior periods.

### **Goodwill**

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

Goodwill arising on acquisitions on or after 1 April 2001 is capitalised and amortised over its estimated useful life of five years.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONTINUED)

#### Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and some additional and revised disclosure requirements for the Group's leasing arrangements. The adoption of this SSAP has no effect on the results of the current or prior periods. Disclosures for all the Group's leasing arrangements have been modified so as to comply with requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

#### 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 31 March 2001 have been amended so that they are presented on a consistent basis.

The adoption of other new and revised SSAPs has not had any effect on the results for the current or prior period.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

#### Basis of consolidation

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

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

### 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 at the date of acquisition.

Goodwill arising on acquisitions on or after 1 April 2001 is capitalised and amortised on a straight line basis over its estimated useful life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to 1 April 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 at such time as the goodwill is determined to be impaired.

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

#### **Investments in subsidiaries**

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

#### **Turnover**

Turnover represents the net amounts received and receivable for goods sold and services rendered, net of returns and allowances during the year.

#### **Revenue recognition**

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

Service income is recognised when services are provided.

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

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment

Construction in progress is stated at cost less any accumulated impairment losses. Cost includes all development expenditure and other direct costs, including borrowing costs capitalised in accordance with the Group's accounting policy, attributable to such projects and deposits made for property acquisitions. It is not depreciated until completion of construction. Cost on completed construction works is transferred to the appropriate categories of property, plant and equipment.

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation or amortisation and any accumulated impairment losses.

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

Leasehold land	Over the remaining term of the relevant lease
Buildings	Over the shorter of the term of the lease, or 40 years
Furniture, fixtures and equipment	15% – 25%
Leasehold improvements	10% – 20%
Motor vehicles	20%
Plant and machinery	6 <sup>2</sup> / <sub>3</sub> % – 25%

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

#### 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 surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Investment properties** (Continued)

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that 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 twenty years or less.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

In previous years, cost of inventories was calculated using the first-in, first-out method. With effect from 1 April 2001, cost of inventories is calculated using the weighted average method, which is considered by the directors as a more appropriate method to reflect the cost of inventories in the Group's circumstances. This change in calculation basis has not had any significant effect on the results for the current accounting period.

#### **Impairment**

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **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 value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease 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 relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

#### **Capitalisation of borrowing costs**

Borrowing costs, including exchange differences to the extent that they are considered as an adjustment to borrowing costs, directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **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 the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange other than those which are considered to be an adjustment to borrowing costs incurred on qualifying assets are dealt with in the income statement.

On consolidation, the financial statements of overseas operations denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

**Retirement benefit costs**

Payments to defined contribution plans are charged as an expense as they fall due.

**4. TURNOVER**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
An analysis of the Group's turnover is as follows:		
Provision of fabric knitting, dyeing and finishing services	<b>578,978</b>	556,992
Trading of garment products	<b>293,594</b>	46,476
	<b>872,572</b>	603,468

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business Segments

The Group is currently engaged in two business activities — provision of fabric knitting, dyeing and finishing services and trading of garment products. These activities are the basis on which the Group reports its primary segment information.

Segment information about these business is presented below:

Year ended 31 March 2002

	<b>Provision of fabric knitting, dyeing and finishing services</b> <i>HK\$'000</i>	<b>Trading of garment products</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>				
External sales	578,978	293,594	—	872,572
Inter-segment sales	6,698	—	(6,698)	—
Total revenue	585,676	293,594	(6,698)	872,572

Inter-segment sales are charged at prevailing market rates.

#### RESULT

Segment result	48,763	4,107	—	52,870
Unallocated corporate income				45
Unallocated corporate expenses				(5,717)
Profit from operations				47,198
Finance costs				(10,056)
Profit before tax				37,142
Taxation				(1,816)
Profit after tax				35,326



**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)****Balance Sheet**

As at 31 March 2002

	<b>Provision of fabric knitting, dyeing and finishing services</b> <i>HK\$'000</i>	<b>Trading of garment products</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	727,777	70,150	797,927
Unallocated corporate assets			5,253
Consolidated total assets			803,180
<b>LIABILITIES</b>			
Segment liabilities	329,364	57,348	386,712
Unallocated corporate liabilities			1,994
Provision for taxation			5,477
Consolidated total liabilities			394,183

**Other Information**

	<b>Provision of fabric knitting, dyeing and finishing services</b> <i>HK\$'000</i>	<b>Trading of garment products</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Capital additions	82,149	6,470	88,619
Depreciation and amortisation	28,628	1,714	30,342

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Year ended 31 March 2001

	<b>Provision of fabric knitting, dyeing and finishing services</b> <i>HK\$'000</i>	<b>Trading of garment products</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>			
External sales	556,992	46,476	603,468
<b>RESULT</b>			
Segment result	38,779	533	39,312
Unallocated corporate income			133
Unallocated corporate expenses			(3,502)
Profit from operations			35,943
Finance costs			(11,367)
Profit before tax			24,576
Taxation			(869)
Profit after tax			23,707

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)****Balance Sheet**

As at 31 March 2001

	<b>Provision of fabric knitting, dyeing and finishing services</b> <i>HK\$'000</i>	<b>Trading of garment products</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	579,894	10,907	590,801
Unallocated corporate assets			9,363
Consolidated total assets			600,164
<b>LIABILITIES</b>			
Segment liabilities	242,769	2,696	245,465
Unallocated corporate liabilities			1,820
Provision for taxation			4,914
Consolidated total liabilities			252,199

**Other Information**

	<b>Provision of fabric knitting, dyeing and finishing services</b> <i>HK\$'000</i>	<b>Trading of garment products</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Capital additions	49,090	—	49,090
Depreciation and amortisation	24,648	—	24,648

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

#### Geographical Segments

The Group's operations are mainly located in Hong Kong, other parts of the People's Republic of China (the "PRC") and United States of America ("USA").

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

	Sales revenue by geographical market		Contribution to profit before tax	
	Year ended	Year ended	Year ended	Year ended
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>351,056</b>	400,362	<b>22,635</b>	19,411
The PRC	<b>113,450</b>	55,640	<b>7,437</b>	2,790
USA	<b>249,226</b>	121,822	<b>3,005</b>	1,089
Others	<b>158,840</b>	25,644	<b>4,065</b>	1,286
	<b>872,572</b>	603,468		
Profit before tax			<b>37,142</b>	24,576

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and goodwill	
	As at	As at	As at	As at
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>257,709</b>	179,061	<b>11,212</b>	18,903
The PRC	<b>488,304</b>	369,183	<b>77,407</b>	29,577
USA	<b>44,922</b>	44,870	—	610
Others	<b>12,245</b>	7,050	—	—
	<b>803,180</b>	600,164	<b>88,619</b>	49,090

FOR THE YEAR ENDED 31 MARCH 2002

**6. PROFIT FROM OPERATIONS**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration ( <i>Note (i)</i> )	<b>9,602</b>	6,704
Other staff costs	<b>44,277</b>	33,173
<b>Total staff costs</b>	<b>53,879</b>	39,877
Auditors' remuneration:		
— current year	<b>620</b>	550
— underprovision in prior years	—	49
Deficit arising on revaluation of investment properties	<b>450</b>	313
Depreciation and amortisation of property, plant and equipment:		
— assets owned by the Group	<b>20,804</b>	16,375
— assets held under finance leases	<b>8,892</b>	8,273
Guaranteed distribution paid to a joint venture partner in the PRC ( <i>Note (iii)</i> )	<b>3,026</b>	3,431
Loss on disposal of property, plant and equipment	<b>1,568</b>	—
and after crediting:		
Gross rental income from investment properties	<b>654</b>	724
Less: Outgoings	<b>(279)</b>	(295)
<b>Net property rental income</b>	<b>375</b>	429
Gain on disposal of property, plant and equipment	—	138
Interest income	<b>206</b>	353

Included in the total staff costs is an aggregate amount of approximately HK\$1,703,000 (2001: HK\$1,259,000) in respect of contributions of retirement benefits scheme by the Group (*Note (ii)*).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 6. PROFIT FROM OPERATIONS (CONTINUED)

Notes:

#### (i) Information regarding directors' and employees' emoluments

<b>Directors</b>	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
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Fees:		
Executive directors	—	—
Independent non-executive directors	<b>300</b>	300
	<hr/>	
	<b>300</b>	300
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Other emoluments to executive directors:		
Basic salaries and other benefits	<b>2,872</b>	1,302
Preference share dividend received from a subsidiary	<b>4,389</b>	3,458
Performance related incentive payments	<b>1,806</b>	1,514
Retirement benefits scheme contributions	<b>235</b>	130
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	<b>9,302</b>	6,404
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	<b>9,602</b>	6,704
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Emoluments of the directors were within the following bands:

	<b>Number of directors</b>	
	<b>2002</b>	2001
<hr/>		
Not exceeding HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	2	—
HK\$2,500,001 – HK\$3,000,000	2	2
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**6. PROFIT FROM OPERATIONS (CONTINUED)****(i) Information regarding directors' and employees' emoluments (Continued)****Employees**

The five highest paid individuals of the Group included four (2001: three) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2001: two) highest paid individual(s) of the Group, not being directors of the Company, are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Basic salaries and other benefits	<b>1,001</b>	1,542
Performance related incentive payments	—	401
Retirement benefits scheme contributions	<b>12</b>	132
	<b>1,013</b>	2,075

Emoluments of these individuals were within the following bands:

	<b>Number of individuals</b>	
	<b>2002</b>	2001
Not exceeding HK\$1,000,000	—	1
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1

**(ii) Retirement benefits scheme contributions**

The Group has operated a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is required to participate in an MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

Both of the defined contributions retirement benefits scheme and MPF are co-existed within the Group in both years.

As at 31 March 2002 and 2001, there were no forfeited contributions available to offset future employers' contributions to the scheme.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 6. PROFIT FROM OPERATIONS (CONTINUED)

#### (iii) Guaranteed distribution paid to a joint venture partner in the PRC

The amount includes operating lease rentals in respect of rented premises amounting to approximately HK\$728,000 (2001: HK\$728,000).

### 7. FINANCE COSTS

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interest on:		
— bank borrowings wholly repayable within five years	<b>8,016</b>	8,033
— bank borrowings not wholly repayable within five years	<b>110</b>	303
— finance leases	<b>1,930</b>	3,659
Total borrowing costs	<b>10,056</b>	11,995
Less: Interest capitalised	—	(628)
	<b>10,056</b>	11,367

### 8. TAXATION

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year		
— current year	<b>1,293</b>	482
— overprovision in prior years	<b>(22)</b>	(3)
	<b>1,271</b>	479
Enterprise income tax in the PRC attributable to a subsidiary	<b>278</b>	157
Overseas income tax	<b>267</b>	233
	<b>1,816</b>	869

Taxation arising in jurisdictions other than Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Deferred taxation has not been provided in the financial statements as there were no significant timing differences arising during the year or at the balance sheet date.



## 9. DIVIDENDS

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Proposed final dividend at HK3.0 cents (2001: nil) per share	<b>10,793</b>	—

The amount of the final dividend proposed for the year ended 31 March 2002, which will be in cash form with a scrip dividend option, has been calculated by reference to the 359,776,000 issued ordinary shares outstanding as at the date of this financial statements.

The final dividend of HK3.0 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	<b>2002</b> <b>HK\$</b>	2001 HK\$
Earnings for the purpose of basic and diluted earnings per share	<b>33,683,000</b>	23,872,000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>330,880,964</b>	255,144,000
Effect of dilutive potential ordinary shares in respect of share options	<b>75,906,125</b>	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>406,787,089</b>	255,144,000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Construction in progress HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
<b>THE GROUP COST</b>							
At 1 April 2001	114,005	8,418	6,477	6,339	10,230	226,496	371,965
On acquisition of a subsidiary	—	—	904	653	144	648	2,349
Additions	20,988	6,502	1,507	270	1,182	52,593	83,042
Transfer	14,068	(14,068)	—	—	—	—	—
Disposal	(3,277)	—	(10)	(7)	—	(7,527)	(10,821)
<b>At 31 March 2002</b>	<b>145,784</b>	<b>852</b>	<b>8,878</b>	<b>7,255</b>	<b>11,556</b>	<b>272,210</b>	<b>446,535</b>
<b>DEPRECIATION AND AMORTISATION</b>							
At 1 April 2001	11,260	—	4,758	3,887	6,583	94,117	120,605
Provided for the year	4,558	—	1,193	975	1,290	21,680	29,696
Eliminated on disposal	(415)	—	(2)	(2)	—	—	(419)
<b>At 31 March 2002</b>	<b>15,403</b>	<b>—</b>	<b>5,949</b>	<b>4,860</b>	<b>7,873</b>	<b>115,797</b>	<b>149,882</b>
<b>NET BOOK VALUES</b>							
<b>At 31 March 2002</b>	<b>130,381</b>	<b>852</b>	<b>2,929</b>	<b>2,395</b>	<b>3,683</b>	<b>156,413</b>	<b>296,653</b>
At 31 March 2001	102,745	8,418	1,719	2,452	3,647	132,379	251,360

The Group's property interests other than investment properties comprise:

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Properties situated:		
— in Hong Kong	<b>7,960</b>	11,163
— in other regions in the PRC	<b>123,273</b>	100,000
	<b>131,233</b>	111,163

All of the Group's land and buildings are held under medium-term leases.

**11. PROPERTY, PLANT AND EQUIPMENT** (CONTINUED)

The net book value of property, plant and equipment held under finance leases at 31 March 2002 amounted to approximately HK\$63,614,000 (2001: HK\$64,472,000).

Included in construction in progress at 31 March 2001 is net interest capitalised of approximately HK\$628,000 (2002: Nil).

**12. INVESTMENT PROPERTIES**

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>1,890</b>	1,320
Transfer from property, plant and equipment	—	883
Deficit on revaluation	<b>(450)</b>	(313)
At the end of the year	<b>1,440</b>	1,890

The investment properties of the Group were valued at 31 March 2002 by Messrs. Chesterton Petty Ltd, an independent firm of professional valuers, on an open market, existing use basis. The deficit arising on revaluation of investment properties has been charged to the income statement.

All of the Group's investment properties are situated in Hong Kong and are held under medium-term leases. They are held for rental purpose under operating leases.

**13. GOODWILL**

	<b>THE GROUP</b>
	HK\$'000
<b>COST</b>	
Arising on acquisition of a subsidiary during the year (note 23) and balance at 31 March 2002	3,228
<b>AMORTISATION</b>	
Provided for the year and balance at 31 March 2002	646
<b>CARRYING AMOUNT</b>	
At 31 March 2002	2,582

The amortisation period adopted for goodwill is five years.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 14. INTEREST IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>85,985</b>	85,985
Amounts due from subsidiaries	<b>221,573</b>	184,886
	<b>307,558</b>	270,871
Amount due to a subsidiary	<b>10</b>	—

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be settled within twelve months of the balance sheet date and accordingly the amounts are shown as non-current assets.

The amount due to a subsidiary is unsecured, interest free and is repayable on demand.

Details of the Company's subsidiaries at 31 March 2002 are set out in note 31.

### 15. INVENTORIES

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>86,004</b>	88,014
Work in progress	<b>59,333</b>	41,966
Finished goods	<b>35,185</b>	23,704
	<b>180,522</b>	153,684

Included above are raw materials of HK\$303,000 (2001: HK\$359,000) and finished goods of HK\$25,000 (2001: HK\$53,000) which are carried at net realisable value.

**16. TRADE RECEIVABLES**

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<i>HK\$'000</i>
0 – 60 days	<b>143,386</b>	88,913
61 – 90 days	<b>26,388</b>	41,402
Over 90 days	<b>30,980</b>	36,263
	<b>200,754</b>	166,578

**17. TRADE PAYABLES**

The following is an aged analysis of trade payables at the balance sheet date:

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<i>HK\$'000</i>
0 – 60 days	<b>125,387</b>	44,810
61 – 90 days	<b>8,345</b>	10,153
Over 90 days	<b>18,028</b>	28,812
	<b>151,760</b>	83,775

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 18. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance leases:				
Within one year	<b>16,025</b>	16,495	<b>15,121</b>	14,581
In the second to fifth year inclusive	<b>14,488</b>	15,770	<b>13,774</b>	14,661
	<b>30,513</b>	32,265	<b>28,895</b>	29,242
Less: Future finance charges	<b>(1,618)</b>	(3,023)	—	—
Present value of lease obligations	<b>28,895</b>	29,242	<b>28,895</b>	29,242
Less: Amount due for settlement within 12 months and shown under current liabilities			<b>(15,121)</b>	(14,581)
Amount due for settlement after 12 months			<b>13,774</b>	14,661

The average leases term of the finance leases is three years. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

FOR THE YEAR ENDED 31 MARCH 2002

**19. BANK BORROWINGS**

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<i>HK\$'000</i>
Import loans and trust receipts	<b>75,544</b>	52,241
Bank loans	<b>84,995</b>	45,248
Mortgage loans	<b>2,995</b>	5,660
Bank overdrafts	<b>135</b>	2,566
	<b>163,669</b>	105,715
Analysed as:		
— secured	<b>19,959</b>	27,255
— unsecured	<b>143,710</b>	78,460
	<b>163,669</b>	105,715
The bank borrowings bear interest at prevailing market rates and are repayable as follows:		
Within one year or on demand	<b>137,596</b>	84,686
Between one to two years	<b>18,177</b>	8,745
Between two to five years	<b>7,896</b>	11,604
Over five years	—	680
	<b>163,669</b>	105,715
Less: Amount due within one year included in current liabilities	<b>(137,596)</b>	(84,686)
Amount due after one year	<b>26,073</b>	21,029

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 20. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 April 2000	1.00	400,000,000	400,000
On capital reduction ( <i>Note i</i> )		39,600,000,000	—
<b>At 31 March 2001 and 2002</b>	<b>0.01</b>	<b>40,000,000,000</b>	<b>400,000</b>
Issued and fully paid:			
At 1 April 2000	1.00	57,600,000	57,600
Issue of new shares ( <i>Note ii</i> )	1.00	11,520,000	11,520
	1.00	69,120,000	69,120
Cancellation of issued share capital upon capital reduction ( <i>Note i</i> )		—	(68,429)
Bonus issue of shares by capitalisation of the share premium account ( <i>Note iii</i> )	0.01	207,360,000	2,074
At 31 March 2001	0.01	276,480,000	2,765
Issue of new shares ( <i>Note iv</i> )	0.01	55,296,000	553
Issue of new shares ( <i>Note v</i> )	0.01	28,000,000	280
<b>At 31 March 2002</b>		<b>359,776,000</b>	<b>3,598</b>

Notes:

- (i) At the special general meeting of the Company held on 16 January 2001, ordinary resolutions for the approval of capital reduction and share subdivision to reduce the issued share capital from HK\$1.00 each to HK\$0.01 each by cancelling the issued capital to the extent of HK\$0.99 paid up on each of the issued shares and to subdivide every unissued shares into 100 unissued adjusted shares of HK\$0.01 each were duly passed. The amount of the then paid-up share capital of the Company was reduced from HK\$69,120,000 to approximately HK\$691,000 upon the capital reduction. The credit of HK\$68,429,000 arising from the capital reduction was transferred to the contributed surplus account of the Company.



## 20. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

- (ii) Pursuant to a placing agreement dated 4 September 2000, an aggregate of 11,520,000 ordinary shares of HK\$1.00 each in the Company were placed by Pearl Garden Pacific Limited and Madian Star Limited, two controlling shareholders of the Company, to independent investors at the price of HK\$1.00 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 11,520,000 new shares in the Company at the price of HK\$1.00 each so as to raise further working capital for the Company and broaden its shareholder and capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$11.5 million, were used by the Group for general working capital purposes. Details of the placement and subscription have been disclosed in the announcement issued by the Company on 4 September 2000.
- (iii) At the special general meeting of the Company held on 16 January 2001, an ordinary resolution was duly passed to approve the bonus issue to the shareholders on the basis of three bonus shares for every adjusted shares at HK\$0.01 each by way of capitalisation of an amount of HK\$2,074,000 of the share premium account of the Company. 207,360,000 bonus shares were accordingly allotted and issued.
- (iv) Pursuant to a placing agreement dated 24 May 2001, an aggregate of 55,296,000 ordinary shares of HK\$0.01 each in the Company was placed by Pearl Garden Pacific Limited and Madian Star Limited, two controlling shareholders of the Company, to independent investors at the price of HK\$0.25 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 55,296,000 new shares in the Company at the price of HK\$0.25 each so as to raise further working capital for the Company and broaden its shareholder and capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$13.5 million, were used by the Group for general working capital purposes. Details of the placement and subscription have been disclosed in the announcement issued by the Company on 24 May 2001.
- (v) Pursuant to a placing agreement dated 12 December 2001, an aggregate of 18,000,000 ordinary shares of HK\$0.01 each in the Company was placed by Pearl Garden Pacific Limited and Madian Star Limited, two controlling shareholders of the Company, to independent investors at the price of HK\$0.275 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 28,000,000 new shares in the Company at the price of HK\$0.275 each so as to raise further working capital for the Company and broaden its shareholder and capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$7.5 million, were used by the Group for general working capital purposes. Details of the placement and subscription have been disclosed in the announcement issued by the Company on 12 December 2001.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 20. SHARE CAPITAL (CONTINUED)

#### Share options

Pursuant to the special general meeting of the Company held on 30 November 2001, the Board of Directors of the Company had terminated the share option scheme which is adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 22 April 1996. At the same day, the Board of Directors approved and adopted the new share option scheme (the "Scheme").

The Scheme will remain in force for a period of 10 years from the date of its adoption.

The options granted under the Scheme and remained outstanding as at 31 March 2002 were as follows:

	<b>Date of grant</b>	<b>Exercise price</b> <i>HK\$</i>	<b>Number of option shares granted during the year and balance at 31.3.2002</b>
Directors			
Li Ming Hung	4 December 2001	0.275	8,294,400
Chen Tien Tui	4 December 2001	0.275	8,294,400
Employees	4 December 2001	0.275	66,355,200
			<b>82,944,000</b>

FOR THE YEAR ENDED 31 MARCH 2002

## 21. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1 April 2000	115,752	7,800	1,327	(1,452)	—	131,283	254,710
Cancellation of issued share capital upon capital reduction	—	68,429	—	—	—	—	68,429
Bonus issue of shares by capitalisation of share premium account	(2,074)	—	—	—	—	—	(2,074)
Bonus issue expenses	(711)	—	—	—	—	—	(711)
Net profit for the year	—	—	—	—	—	23,872	23,872
At 31 March 2001	112,967	76,229	1,327	(1,452)	—	155,155	344,226
Premium arising on issue of shares, net of expenses	20,503	—	—	—	—	—	20,503
Net profit for the year	—	—	—	—	—	33,683	33,683
Dividend declared (note 9)	—	—	—	—	10,793	(10,793)	—
<b>At 31 March 2002</b>	<b>133,470</b>	<b>76,229</b>	<b>1,327</b>	<b>(1,452)</b>	<b>10,793</b>	<b>178,045</b>	<b>398,412</b>
	Share premium HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
<b>THE COMPANY</b>							
At 1 April 2000	115,752	85,785	—	770	202,307		
Cancellation of issued share capital upon capital reduction	—	68,429	—	—	68,429		
Bonus issue of shares by capitalisation of the share premium account	(2,074)	—	—	—	(2,074)		
Bonus issue expenses	(711)	—	—	—	(711)		
Net profit for the year	—	—	—	26	26		
At 31 March 2001	112,967	154,214	—	796	267,977		
Premium arising on issue of shares, net of expenses	20,503	—	—	—	20,503		
Net profit for the year	—	—	—	15,020	15,020		
Dividend declared (note 9)	—	—	10,793	(10,793)	—		
<b>At 31 March 2002</b>	<b>133,470</b>	<b>154,214</b>	<b>10,793</b>	<b>5,023</b>	<b>303,500</b>		

## 21. RESERVES (CONTINUED)

The capital reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to the group reorganisation which became effective on 22 April 1996, together with an amount of approximately HK\$68,429,000 arising from the capital reduction in January 2001.

The contributed surplus of the Company represents the difference between the book values of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation which became effective on 22 April 1996, net of HK\$100,000 subsequently applied in paying up in full at par the 1,000,000 nil paid shares, together with a credit of approximately HK\$68,429,000 arising from the capital reduction in January 2001.

In addition to accumulated profits, under the company laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

The Company's reserves available for distribution to shareholders as at 31 March 2002 are represented by its accumulated profits, dividend reserve and contributed surplus, totalling approximately HK\$170,030,000 (2001: HK\$155,010,000).

FOR THE YEAR ENDED 31 MARCH 2002

**22. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit before tax	<b>37,142</b>	24,576
Deficit arising on revaluation of investment properties	<b>450</b>	313
Depreciation and amortisation of property, plant and equipment	<b>29,696</b>	24,648
Amortisation of goodwill	<b>646</b>	—
Interest income	<b>(206)</b>	(353)
Interest on bank borrowings	<b>8,126</b>	7,708
Interest on obligations under finance leases	<b>1,930</b>	3,659
Loss (gain) on disposal of property, plant and equipment	<b>1,568</b>	(138)
(Increase) decrease in inventories	<b>(26,838)</b>	5,035
Increase in trade receivables	<b>(13,375)</b>	(45,714)
(Increase) decrease in deposits, prepayments and other receivables	<b>(38,247)</b>	3,060
Increase (decrease) in trade payables	<b>47,210</b>	(1,953)
Increase in other payables	<b>15,054</b>	938
Net cash inflow from operating activities	<b>63,156</b>	21,779

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 23. ACQUISITION OF A SUBSIDIARY

On 1 April 2001, the Group acquired 51% of the issued share capital of Ford Glory International Limited, a private limited company incorporated in Hong Kong and engaged in garments trading, for a cash consideration of approximately HK\$8.3 million. This transaction has been accounted for using the acquisition method of accounting.

The effect of the acquisition is summarised as follows:

	<i>HK\$ '000</i>
Property, plant and equipment	2,349
Trade receivables	20,801
Deposits, prepayments and other receivable	4,063
Bank balances and cash	4,807
Trade payables	(20,775)
Other payables	(775)
Taxation payable	(552)
Minority interests	(4,860)
	5,058
Goodwill ( <i>note 13</i> )	3,228
Cash consideration	8,286
Net cash outflow arising on acquisition:	
Cash consideration	(8,286)
Bank balances and cash acquired	4,807
	(3,479)

The subsidiary acquired during the year contributed HK\$291,753,000 to the Group's turnover and HK\$4,092,000 to the Group's profit from operations.

The subsidiary acquired during the year contributed HK\$16,176,000 to the Group's net operating cash flows, paid HK\$457,000 in respect of net returns on investments and servicing of finance, paid HK\$689,000 in respect of taxation and utilised HK\$830,000 for investing activities.

## 24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Obligations under finance leases HK\$'000	Bank loans HK\$'000	Mortgage loans HK\$'000	Import loans and trust receipts HK\$'000
Balance at 1 April 2000	173,352	38,962	16,744	6,752	46,068
Net proceeds from issue of new shares	11,520	—	—	—	—
Cost of issuing bonus shares	(711)	—	—	—	—
Cancellation of issued share capital upon capital reduction	(68,429)	—	—	—	—
New finance leases raised ( <i>note 25</i> )	—	10,008	—	—	—
New bank loans raised	—	—	43,018	—	—
Repayments during the year	—	(19,728)	(14,514)	(1,092)	(225,402)
New import loans and trust receipts raised	—	—	—	—	231,575
Balance at 31 March 2001	115,732	29,242	45,248	5,660	52,241
Net proceeds from issue of new shares	21,336	—	—	—	—
New finance leases raised ( <i>note 25</i> )	—	17,352	—	—	—
New bank loans raised	—	—	71,774	—	—
Repayments during the year	—	(17,699)	(32,027)	(2,665)	(266,590)
New import loans and trust receipts raised	—	—	—	—	289,893
<b>Balance at 31 March 2002</b>	<b>137,068</b>	<b>28,895</b>	<b>84,995</b>	<b>2,995</b>	<b>75,544</b>

## 25. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases arrangements in respect of assets with a capital value of HK\$17,352,000 (2001: HK\$10,008,000) at the inception of the finance leases.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 26. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Bank balances and cash	<b>63,403</b>	11,207
Bank overdrafts	<b>(135)</b>	(2,566)
	<b>63,268</b>	8,641

### 27. PLEDGE OF ASSETS

At 31 March 2002, investment properties and certain property, plant and equipment of subsidiaries of the Company with aggregate net book value of approximately HK\$1,440,000 (2001: HK\$1,890,000) and approximately HK\$32,287,000 (2001: HK\$36,875,000) respectively were pledged to banks as security for the credit facilities granted to the Group.

### 28. CONTINGENT LIABILITIES

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Bills discounted with recourse	<b>13,921</b>	6,329	—	—
Factoring financing facilities with recourse	<b>10,426</b>	—	—	—
Corporate guarantee given to a financial institution to secure factoring financing facilities granted to a subsidiary	—	—	<b>15,500</b>	15,500
Corporate guarantees given to banks and other financial institutions to secure credit facilities granted to subsidiaries	—	—	<b>306,214</b>	129,884
	<b>24,347</b>	6,329	<b>321,714</b>	145,384



**29. COMMITMENTS****(i) Payments to a PRC joint venture partner**

At the balance sheet date, the Group was committed to pay an annual guaranteed distribution to a PRC joint venture partner in the coming year amounting to approximately HK\$3,166,000 (2001: HK\$3,624,000), which includes an amount of approximately HK\$770,000 (2001: HK\$728,000) in respect of operating lease commitments of rented premises.

**(ii) Capital commitments**

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<i>HK\$'000</i>
Capital expenditure contracted for property, plant and equipment but not provided in the financial statements	<b>15,653</b>	40,387

The Company had no significant capital commitment at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 29. COMMITMENTS (CONTINUED)

#### (iii) Operating lease arrangements

##### *The Group as lessee*

	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Minimum lease payments paid under operating leases in respect of premises during the year	<b>6,736</b>	1,877

At the balance sheet date, the Group had commitments for future minimum lease payments excluding the amount as set out in (i) above, under non-cancellable operating leases in respect of rented premises and warehouses which fall due as follows:

	<b>THE GROUP</b>	
	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	<b>1,813</b>	1,365
In the second to fifth year inclusive	<b>1,991</b>	1,403
Over five years	<b>1,493</b>	505
	<b>5,297</b>	3,273

Operating lease payment represents rental payable by the Group for its office premises and warehouse. Leases are negotiated for terms of two to fifteen years and rental is fixed throughout the lease period.

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

**29. COMMITMENTS (CONTINUED)****(iii) Operating lease arrangements (Continued)*****The Group as lessor***

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

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Within one year	<b>595</b>	398
In the second to fifth year inclusive	<b>27</b>	348
	<b>622</b>	746

Property rental income earned during the year under the leases was approximately HK\$654,000 (2001: HK\$724,000). The Group's properties are expected to generate rental yields of 13% on an ongoing basis. All of the properties held have committed tenants for the next two years.

**30. RELATED PARTY TRANSACTIONS**

During the year, the Group had the following transactions with related parties:

<b>Name of company</b>	<i>Notes</i>	<b>Nature of transactions</b>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Denin Trading Company Limited	<i>(i) &amp; (iii)</i>	Purchases of raw materials by the Group	<b>2,848</b>	2,528
Verdure Enterprises Limited	<i>(ii) &amp; (iv)</i>	Operating lease rental paid by the Group	<b>108</b>	108

In addition, during the year, Pearl Garden Pacific Limited (note v) and Madian Star Limited (note vi), two controlling shareholders of the Company, together subscribed for an aggregate of 55,296,000 and 28,000,000 new shares in the Company at the price of HK\$0.25 and HK\$0.275 each, respectively, details of which are disclosed in note 20 (iv) and (v).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

### 30. RELATED PARTY TRANSACTIONS (CONTINUED)

In 4 September 2000, Pearl Garden Pacific Limited (note v) and Madian Star Limited (note vi), two controlling shareholders of the Company, together subscribed for an aggregate of 11,520,000 new shares in the Company at the price of HK\$1.00 each, detail of which is disclosed in note 20(ii).

Notes:

- (i) A company in which Mr. Chen Tien Tui, a director of the Company, has a 33<sup>1</sup>/<sub>3</sub>% beneficial interest.
- (ii) The entire issued share capital of Verdure Enterprises Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (iii) The transactions were carried out at prices determined by reference to market prices for similar transactions.
- (iv) The monthly rental was determined based on market rental.
- (v) The entire issued share capital of Pearl Garden Pacific Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (vi) The entire issued share capital of Madian Star Limited is owned by a discretionary trust, the object of which include Mr. Chen Tien Tui and his family.

## 31. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Best Color Development Limited	Hong Kong	Ordinary HK\$10	100%	Inactive
CSG Apparel Inc.	Canada	Common share CAD1	51%	Trading of garment products
Ford Glory International Limited	Hong Kong	Ordinary HK\$5,000,000	51%	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK\$10	100%	Provision of management services
Tectfield Industrial Limited	Hong Kong	Ordinary HK\$10,000 Deferred (Note(ii)) HK\$10,000	77.78%	Manufacture of and trading in labels and hang-tags
Victory City (China) Holdings Limited	British Virgin Islands	Ordinary US\$2	100%	Investment holding
Victory City Company Limited	Hong Kong	Ordinary HK\$10 Deferred (Note (ii)) HK\$8,000,000	100%	Trading of knitted fabric
Victory City Holdings Limited (Note (i))	British Virgin Islands	Ordinary US\$6	100%	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US\$2 Preference (Note (iii)) US\$3,300	100%	Investment holding
Winning Zone Inc.	United States of America	Ordinary US\$100,000	100%	Importing and selling fabric and wearing apparel
新會市冠華針織廠有限公司 ("Xinhui Victory City") (Note (iv))	PRC	US\$16,819,300	100%	Knitting, dyeing and finishing of fabric
新會市揚名針織廠有限公司	PRC	(Note (v))	90%	Knitting, dyeing and finishing of fabric

**31. PARTICULARS OF SUBSIDIARIES** (CONTINUED)

## Notes:

- (i) The investment in Victory City Holdings Limited is directly held by the Company. Other subsidiaries are indirectly held.
- (ii) The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of respective subsidiaries or to participate in any distribution on a winding-up.
- (iii) The redeemable non-voting preference shares of VCOL, which are held by Messrs. Li Ming Hung, Chen Tien Tui and Choi Lin Hung, carry minimal right to receive notice of or to attend or vote at any general meeting of VCOL. The holders of the redeemable non-voting preference shares shall only be entitled to a fixed dividend per annum when the profit before tax of VCOL available for dividend exceeds a pre-determined figure. On a winding-up, the holders of the redeemable non-voting preference shares shall be entitled to receive a return of the capital paid up on the redeemable non-voting preference shares held by them respectively.
- (iv) Pursuant to the co-operative joint venture contract and various supplemental agreements, other than an annual guaranteed distribution payable to the joint venture partner in the PRC, the Group is to bear the entire risk and liabilities and share the entire profit and loss of Xinhui Victory City during the term of the co-operative joint venture commencing from 6 May 1988 (date of establishment of Xinhui Victory City) to 31 August 2007. Upon dissolution of Xinhui Victory City, the PRC joint venture partner will re-possess the assets it had contributed or the residual value of the assets, which should be determined by both parties. The Group has accordingly treated the annual guaranteed distribution payable to the PRC joint venture partner as an operating expense for the use of plant and machinery and factory premises contributed and other facilities provided by the PRC joint venture partner, and Xinhui Victory City is treated by the Group as a wholly-owned subsidiary for accounting purposes. All assets contributed by the PRC joint venture partner have been treated as assets under operating leases and are therefore not included as assets of the Group.
- (v) The verified paid up registered capital of 新會市場名針織廠有限公司 was approximately US\$1,709,000 as at 31 March 2002, which was wholly contributed by the Group. Additional capital contribution by the Group during the year ended 31 March 1999, which amounted to approximately US\$394,000, has not yet been verified as at 31 March 2002.

None of the subsidiaries had any debt securities subsisting at 31 March 2002 or at any time during the year.