Notes to the FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Principal activities of the subsidiaries are set out in note 27.

2. ADOPTION OF NEW AND REVISED 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 these financial statements. Comparative amounts 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.

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 acquisitions 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 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.

Goodwill arising on acquisitions on or after April 1, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or 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.

Notes to the FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies which have been 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.

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

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

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 the acquired subsidiary at the date of acquisition.

Negative goodwill arising from acquisitions of subsidiaries represents the excess of the Group's interest in the fair value of identifiable assets and liabilities acquired over the cost of acquisition.

Goodwill arising on acquisitions on or after April 1, 2001 is amortised to the income statement on a straight-line basis over its estimated useful life of not more than 20 years and is stated in the balance sheet at cost less any accumulated amortisation and any impairment loss.

Negative goodwill arising on acquisitions on or after April 1, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised in the income statement. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those identifiable acquired depreciable assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

Notes to the FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Where an indication of impairment exists, the carrying amount of goodwill previously written off against reserves is assessed and written down immediately to its recoverable amount.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment in the value of the subsidiary.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

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

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

Property, plant and equipment

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

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 the asset and is recognised in the income statement.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Notes to the FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

Leasehold land	Over the unexpired terms of the leases
Buildings	3.8%
Leasehold improvements	10 – 20%
Machinery and equipment	5 – $33^1/_3$%
Furniture and office equipment	10 – $33^1/_3$%
Motor vehicles	10 – 20%

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that these 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)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

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

Revenue from sales of newspapers and other publications to distributors or dealers is recognised when the products are delivered and title has passed and the Group retains no significant obligation. Allowances for estimated future returns and exchanges are recorded in the period in which the related revenue is recognised.

Advertising revenue is recognised on publication date.

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

Dividends are recognised by the Company when the Company's right to receive payment has been established.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the 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 asset will crystallise in the foreseeable future.

Notes to the FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Quotas

Revenue from the sale of, and the cost of acquiring, temporary quotas are dealt with in the income statement in the period in which they arise. Quotas allocated by the authorities are not capitalised and are not included as assets in the balance sheet. The cost of permanent quotas acquired are amortised over a fixed period not exceeding five years or the remaining life of the relevant quota agreement, whichever is the shorter.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars 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 into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on translation, if any, are dealt with in the translation reserve.

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund scheme.

4. TURNOVER

An analysis of the Group's turnover from operations during the year is as follows:

	Turnover	
	2002	2001
	HK$'000	*HK$'000*
Continuing operations:		
– sales of garment products	**189,107**	222,632
Discontinued operations:		
– publishing and provision of related services	**—**	42,152
	189,107	264,784

Notes to the FINANCIAL STATEMENTS (continued)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

The Group is only engaged in the garment business for the year ended March 31, 2002.

In prior year, the Group was also involved in the publishing and provision of related services. That operation was discontinued from June 27, 2000 (see notes 9 and 22).

Segment information about the business for the year ended March 31, 2001 is presented below:

INCOME STATEMENT

	Sales of garment products HK$'000	Publishing and provision of related services HK$'000	Consolidated HK$'000
Turnover	222,632	42,152	264,784
Segment result	16,126	(6,845)	9,281
Interest income			250
Profit from operations			9,531
Finance costs			(3,266)
Loss on disposal of discontinued operations			(334)
Share of results of associates			(192)
Profit before taxation			5,739
Taxation			(2,707)
Profit before minority interests			3,032

Notes to the FINANCIAL STATEMENTS (continued)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(A) Business segments (continued)

OTHER INFORMATION

	Sales of garment products HK$'000	Publishing and provision of related services HK$'000	Consolidated HK$'000
Capital additions	2,077	903	2,980
Depreciation and amortisation	2,925	5,551	8,476

BALANCE SHEET

As at March 31, 2001, the Group's assets and liabilities were solely attributable to the segment of sales of garment products.

(B) Geographical segments

The Group's operations are located in Hong Kong. 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 from operations	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The United States of America	**189,107**	222,632	**3,130**	16,367
Hong Kong	**—**	42,152	**—**	(6,836)
	189,107	264,784	**3,130**	9,531

Notes to the FINANCIAL STATEMENTS (continued)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(B) Geographical segments (continued)

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The United States of America	**17,865**	11,626	**—**	—
Hong Kong	**38,265**	29,146	**62**	960
The PRC	**23,372**	43,316	**2,134**	2,020
	79,502	84,088	**2,196**	2,980

6. OTHER REVENUE

Included in other revenue is bank deposit interest income amounting to approximately HK$326,000 *(2001: HK$250,000)* earned during the year.

Notes to the FINANCIAL STATEMENTS (continued)

7. PROFIT FROM OPERATIONS

	2002 HK$'000	2001 HK$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
– current year	**412**	535
– underprovision in prior years	**91**	230
Depreciation and amortisation on assets:		
– owned by the Group	**3,140**	8,475
– held under a finance lease	**—**	1
Loss on disposal of property, plant and equipment	**102**	67
Operating lease rentals in respect of rented premises	**661**	2,441
Quota expenses	**23,304**	26,550
Staff costs, including directors' remuneration and retirement benefit scheme contributions	**7,812**	26,451

(i) Information regarding directors' and employees' emoluments

	2002 HK$'000	2001 HK$'000
Directors' emoluments		
Directors' fees:		
Executive	**80**	380
Independent non-executive	**100**	340
	180	720
Other emoluments to executive directors:		
Salaries and others	**910**	774
Retirement benefit scheme contributions	**24**	8
	934	782
	1,114	1,502

The emoluments of each of the directors were below HK$1,000,000.

Notes to the FINANCIAL STATEMENTS (continued)

7. PROFIT FROM OPERATIONS (continued)

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

Employees' emoluments

The five highest paid individuals of the Group included two directors *(2001: two directors)*. The emoluments of the remaining three *(2001: three)* highest paid employees are as follows:

	2002 *HK$'000*	2001 *HK$'000*
Salaries and others	**1,414**	1,210
Retirement benefit scheme contributions	**30**	12
	1,444	1,222

The emoluments of each of the three *(2001: three)* highest paid employees were below HK$1,000,000.

(ii) Retirement benefit scheme contributions

	2002 *HK$'000*	2001 *HK$'000*
Retirement benefit scheme contributions to the Group's defined contribution schemes	**261**	342
Less: Forfeited contributions	**—**	(75)
	261	267

Certain subsidiaries of the Group operate defined contribution retirement benefit schemes for their qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees.

Notes to the FINANCIAL STATEMENTS (continued)

7. PROFIT FROM OPERATIONS (continued)

(ii) Retirement benefit scheme contributions (continued)

The Group has secured Mandatory Provident Fund ("MPF") Scheme exemption status for the retirement benefit scheme and participates in an approved MPF scheme with the HSBC Provident Fund Trustee (Hong Kong) Limited effective December 1, 2000. All new employees are required to participate in the MPF Scheme. Mandatory benefits are being provided under the MPF Scheme.

The cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group in the future years are reduced by the amount of forfeited contributions.

At the balance sheet date, the Group did not have forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years.

8. FINANCE COSTS

	2002 ***HK$'000***	2001 *HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**(3)**	(1,684)
Amount due to a related company	**—**	(1,535)
Amount due to a minority shareholder of a subsidiary	**—**	(47)
	(3)	(3,266)

Notes to the FINANCIAL STATEMENTS (continued)

9. DISCONTINUED OPERATIONS

In June 2000, the Group disposed of its controlling interest in Island Gold Developments Limited and its subsidiaries (the "Island Gold Group"), which is engaged in the business of newspaper and magazine publications and offset printing services.

The results of the operations of the Island Gold Group for the period from April 1, 2000 to June 27, 2000, which have been included in the consolidated income statement, are as follows:

	HK$'000
Turnover	42,152
Operating costs	(48,988)
Loss from operations	(6,836)

The loss arising from the disposal of the Island Gold Group amounted to approximately HK$334,000 *(note 22)*.

10. TAXATION

	2002	2001
	HK$'000	*HK$'000*
The taxation charge comprises:		
Hong Kong Profits Tax		
– current year	**(1,030)**	(2,716)
– overprovision in prior year	**6**	98
	(1,024)	(2,618)
Deferred taxation credit (charge)	**130**	(89)
	(894)	(2,707)

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit of the year. Details of deferred taxation provided and significant potential unprovided deferred taxation are set out in note 20.

Notes to the FINANCIAL STATEMENTS (continued)

11. DIVIDEND

	2002	2001
	HK$'000	*HK$'000*
Final dividend proposed of HK$0.01 *(2001: nil)* per share	**1,670**	—

The final dividend of HK$1,670,310 *(2001: nil)* is calculated based on 167,031,016 shares in issue on July 3, 2002.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK$2,233,000 *(2001: HK$3,169,000)* and on the weighted average number of 168,281,405 *(2001:167,460,230)* ordinary shares in issue during the year.

The number of ordinary shares adopted for the purpose of calculating the earnings per share for the year ended March 31, 2001 has been adjusted to take account of the share consolidation effected on August 3, 2001 *(note 18)*.

No diluted earnings per share figures have been shown as there were no dilutive potential ordinary shares outstanding in either year.

Notes to the FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Machinery and equipment	Furniture and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At April 1, 2001	1,940	12,097	3,259	2,086	19,382
Additions	—	1,459	389	348	2,196
Disposals	—	(341)	(47)	—	(388)
At March 31, 2002	**1,940**	**13,215**	**3,601**	**2,434**	**21,190**
DEPRECIATION AND AMORTISATION					
At April 1, 2001	1,211	6,371	1,844	1,882	11,308
Provided for the year	388	1,986	614	152	3,140
Eliminated on disposals	—	(215)	(37)	—	(252)
At March 31, 2002	**1,599**	**8,142**	**2,421**	**2,034**	**14,196**
NET BOOK VALUES					
At March 31, 2002	**341**	**5,073**	**1,180**	**400**	**6,994**
At March 31, 2001	729	5,726	1,415	204	8,074

Notes to the FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements	Furniture and office equipment	Total
	HK$'000	HK$'000	HK$'000
THE COMPANY			
COST			
At April 1, 2001 and March 31, 2002	124	90	214
DEPRECIATION			
At April 1, 2001	31	21	52
Provided for the year	25	18	43
At March 31, 2002	**56**	**39**	**95**
NET BOOK VALUES			
At March 31, 2002	**68**	**51**	**119**
At March, 31, 2001	93	69	162

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares	**—**	—
Amounts due from subsidiaries	**22,193**	22,037
	22,193	22,037

Particulars of the principal subsidiaries of the Company as at March 31, 2002 are set out in note 27.

Notes to the FINANCIAL STATEMENTS (continued)

15. INVENTORIES

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Raw materials in transit	**984**	—
Raw materials	**5,351**	19,116
Work in progress	**6,821**	6,701
Finished goods	**3,403**	9,668
	16,559	35,485

Inventories are stated at cost.

16. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK$23,141,000 *(2001: HK$19,110,000)*.

The aged analysis for trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Within 30 days	**22,714**	18,639
Over 30 days but less than 60 days	**424**	398
Over 60 days but less than 90 days	**—**	72
Over 90 days	**3**	1
	23,141	19,110

Credit policy:

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale.

It is the policy of the Group to allow settlement on an open account basis only by customers who have good payment records and well-established relationships with the Group. The credit period for such customers is reviewed periodically in response to financial conditions, orders on hand and other credit information.

Notes to the FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$20,776,000 *(2001: HK$24,630,000)* all aged within 90 days.

18. SHARE CAPITAL

	Number of ordinary shares	Value HK$'000
Authorised:		
At April 1, 2000 and March 31, 2001		
Ordinary shares of HK$0.02 each	25,000,000,000	500,000
Consolidation of every 50 shares of HK$0.02 each into 1 share of HK$1.00 each *(note a)*	(24,500,000,000)	—
Subdivision of every 1 share of HK$1.00 each into 100 shares of HK$0.01 each *(note a)*	49,500,000,000	—
At March 31, 2002		
Ordinary shares of HK$0.01 each	50,000,000,000	500,000
Issued and fully paid:		
At April 1, 2000		
Ordinary shares of HK$0.02 each	7,839,860,830	156,797
Shares issued as a result of loan capitalisation *(note b)*	700,000,000	14,000
At March 31, 2001		
Ordinary shares of HK$0.02 each	8,539,860,830	170,797
Repurchase of shares	(188,310,000)	(3,766)
	8,351,550,830	167,031
Consolidation of every 50 shares of HK$0.02 each into 1 share of HK$1.00 each *(note a)*	(8,184,519,814)	—
Capital reduction *(note a)*	—	(165,361)
At March 31, 2002		
Ordinary shares of HK$0.01 each	167,031,016	1,670

Notes to the FINANCIAL STATEMENTS (continued)

18. SHARE CAPITAL (continued)

Notes:

(a) Pursuant to the ordinary and special resolutions regarding the capital reorganisation passed in the Annual General Meeting held on August 3, 2001, every 50 issued and unissued ordinary shares of HK$0.02 each of the Company were consolidated (the "Share Consolidation") into one share of HK$1.00 each ("the Consolidated Share"). After the Share Consolidation, the par value of each of the issued Consolidated Shares was then reduced from HK$1.00 to HK$0.01 by canceling paid up capital to the extent of HK$0.99 per Consolidated Share (the "Capital Reduction") and each of the unissued Consolidated Shares (including the unissued Consolidated Shares arising from the Capital Reduction) was subdivided into 100 new ordinary shares of HK$0.01 each.

(b) At a special general meeting held on June 27, 2000, a loan capitalisation proposal was approved by the shareholders of the Company pursuant to which outstanding amounts of HK$13,498,000 and HK$502,000 due from the Company to Eastland Enterprises Inc. and Mr. Ling Tai Yuk, John, respectively, were capitalised in exchange for the subscription of 674,900,000 and 25,100,000 then ordinary shares, respectively of HK$0.02 each in the Company at a price of HK$0.02 per share. These shares rank pari passu with the then existing shares in all respects.

Notes to the FINANCIAL STATEMENTS (continued)

19. RESERVES

	Share premium HK$'000	Leasehold land and building revaluation reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Deficit HK$'000	Total HK$'000
THE GROUP							
Balance at April 1, 2000	137,019	4,764	320,785	15	6,035	(595,295)	(126,677)
Deficit arising from revaluation	—	(135)	—	—	—	—	(135)
Depreciation attributable to revaluation surplus	—	(41)	—	—	—	41	—
Disposal of subsidiaries	—	(4,588)	—	—	1,868	4,588	1,868
Profit attributable to shareholders	—	—	—	—	—	3,169	3,169
Balance at March 31, 2001	137,019	—	320,785	15	7,903	(587,497)	(121,775)
Surplus arising from repurchase of shares	—	—	1,288	—	—	—	1,288
Transferred to capital redemption reserve upon repurchase of shares	—	—	(3,766)	3,766	—	—	—
Transferred to contributed surplus as a result of the Capital Reduction	(137,019)	—	302,380	—	—	—	165,361
Elimination of deficit	—	—	(554,939)	—	—	554,939	—
Profit attributable to shareholders	—	—	—	—	—	2,233	2,233
Balance at March 31, 2002	**—**	**—**	**65,748**	**3,781**	**7,903**	**(30,325)**	**47,107**
THE COMPANY							
Balance at April 1, 2000	137,019	—	269,130	15	—	(552,603)	(146,439)
Loss for the year	—	—	—	—	—	(2,336)	(2,336)
Balance at March 31, 2001	137,019	—	269,130	15	—	(554,939)	(148,775)
Surplus arising from repurchase of shares	—	—	1,288	—	—	—	1,288
Transferred to capital redemption reserve upon repurchase of shares	—	—	(3,766)	3,766	—	—	—
Transferred to contributed surplus as a result of the Capital Reduction	(137,019)	—	302,380	—	—	—	165,361
Elimination of deficit	—	—	(554,939)	—	—	554,939	—
Loss for the year	—	—	—	—	—	(2,124)	(2,124)
Balance at March 31, 2002	**—**	**—**	**14,093**	**3,781**	**—**	**(2,124)**	**15,750**

Notes to the FINANCIAL STATEMENTS (continued)

19. RESERVES (continued)

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation at May 25, 1993, together with the amounts transferred from share capital and share premium account as a result of the Capital Reduction, less dividends paid, amounts utilised on redemption of shares and amount eliminated against deficit.

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired at May 25, 1993, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, together with the amounts transferred from share capital and share premium account as a result of the Capital Reduction, less dividends paid, amounts utilised on redemption of shares and amount eliminated against deficit.

Under the company law in Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company did not have any reserves available for distribution to shareholders as at March 31, 2001.

At March 31, 2002, the Company had the following reserves available for distribution to shareholders:

	HK$'000
– Contributed surplus	14,093
– Deficit	(2,124)
	11,969

Notes to the FINANCIAL STATEMENTS (continued)

20. DEFERRED TAXATION

	THE GROUP				THE COMPANY	
	Provided		Unprovided		Unprovided	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Balance at the beginning of the year	**1,065**	1,346	**(2,232)**	(68,786)	**(2,232)**	(2,132)
Eliminated upon disposal of subsidiaries	**—**	(370)	**—**	66,800	**—**	—
Movements for the year	**(130)**	89	**(340)**	(246)	**(340)**	(100)
Balance at the end of the year	**935**	1,065	**(2,572)**	(2,232)	**(2,572)**	(2,232)

At the balance sheet date, the components of the Group's net deferred taxation liability (asset), provided and unprovided, in the financial statements are analysed as follows:

	THE GROUP				THE COMPANY	
	Provided		Unprovided		Unprovided	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect on timing differences in respect of:						
Excess of depreciation allowance over depreciation expenses	**935**	1,065	**5**	7	**5**	7
Tax losses	**—**	—	**(2,577)**	(2,239)	**(2,577)**	(2,239)
Net deferred taxation liability (asset)	**935**	1,065	**(2,572)**	(2,232)	**(2,572)**	(2,232)

The net deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will crystallise in the foreseeable future.

Notes to the FINANCIAL STATEMENTS (continued)

20. DEFERRED TAXATION (continued)

The components of the Group's net deferred taxation (credit) charge, provided and unprovided, for the year are analysed as follows:

	THE GROUP				THE COMPANY	
	Provided		Unprovided		Unprovided	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect on timing differences in respect of:						
(Shortfall) excess of depreciation allowances over depreciation expenses	**(130)**	89	**(2)**	(147)	**(2)**	(1)
Tax losses	**—**	—	**(338)**	(99)	**(338)**	(99)
Net deferred taxation (credit) charge	**(130)**	89	**(340)**	(246)	**(340)**	(100)

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

	2002	2001
	HK$'000	*HK$'000*
Profit before taxation	**3,127**	5,739
Share of results of associates	**—**	192
Depreciation and amortisation	**3,140**	8,476
Loss on disposal of property, plant and equipment	**102**	67
Loss on disposal of discontinued operations	**—**	334
Interest on bank and other borrowings	**3**	3,266
Interest income	**(326)**	(250)
Decrease (increase) in inventories	**18,926**	(4,392)
Increase in trade and other receivables	**(4,136)**	(2,865)
(Decrease) increase in trade and other payables	**(4,892)**	12,950
Net cash inflow from operating activities	**15,944**	23,517

Notes to the FINANCIAL STATEMENTS (continued)

22. DISPOSAL OF SUBSIDIARIES

	2002 HK$'000	2001 HK$'000
Net assets disposed of:		
Property, plant and equipment	—	105,974
Interests in associates	—	68
Inventories	—	4,458
Trade and other receivables	—	36,816
Bank balances and cash	—	6,804
Trade and other payables	—	(36,740)
Taxation payable	—	(3,191)
Obligations under a finance lease	—	(11)
Bank overdraft	—	(23)
Other bank borrowings	—	(85,273)
Amount due to minority shareholders of subsidiaries	—	(3,937)
Minority interests	—	2,127
Deferred taxation	—	(370)
	—	26,702
Goodwill	—	1,868
	—	28,570
Loss on disposal of subsidiaries	—	(334)
	—	28,236
Satisfied by:		
Cash	—	28,236
Net cash inflow arising on disposal:		
Cash consideration	—	28,236
Bank balances and cash disposal of	—	(6,804)
Bank overdraft disposed of	—	23
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	21,455

22. DISPOSAL OF SUBSIDIARIES (continued)

The subsidiaries disposed of in prior year contributed approximately HK$9,778,000 to the Group's net operating cash flows, paid HK$1,092,000 in respect of the net returns on investment and servicing of finance, and utilised approximately HK$459,000 and HK$6,316,000 in respect of investing and financing activities, respectively.

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium *HK$'000*	Bank loans *HK$'000*	Trust receipts and import loans *HK$'000*	Obligations under a finance lease *HK$'000*	Amount due to a related company *HK$'000*	Amounts due to minority shareholders of subsidiaries *HK$'000*
Balance at April 1, 2000	293,816	36,375	3,665	14	91,224	3,889
Loan capitalisation	14,000	—	—	—	(14,000)	—
Interest accrued	—	—	—	—	1,535	—
Advances obtained during the year	—	46,000	41,836	—	—	48
Repayments during the year	—	(3,051)	(39,552)	(3)	(78,759)	—
Disposal of subsidiaries	—	(79,324)	(5,949)	(11)	—	(3,937)
Balance at March 31, 2001	307,816	—	—	—	—	—
Elimination upon repurchase of shares	(3,766)	—	—	—	—	—
Transferred to contributed surplus as a result of the Capital Reduction	(302,380)	—	—	—	—	—
Advances obtained during the year	—	—	4,852	—	—	—
Repayments during the year	—	—	(4,852)	—	—	—
Balance at March 31, 2002	**1,670**	**—**	**—**	**—**	**—**	**—**

Notes to the FINANCIAL STATEMENTS (continued)

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had commitments of approximately HK$496,000 *(2001: HK$496,000)* for future minimum lease payments under a non-cancellable operating lease in respect of a rented premise which fall due within one year.

25. CONTINGENT LIABILITIES

At March 31, 2002, the Company had given corporate guarantees of HK$20,000,000 *(2001: HK$20,000,000)* to secure general banking facilities granted to a subsidiary. The amount utilised by the subsidiary amounted to approximately HK$501,000 *(2001: HK$665,000)*.

26. RELATED PARTY TRANSACTIONS

Save as disclosed in note 18, the Group also had the following transactions with related parties during the year:

	2002	2001
	HK$'000	*HK$'000*
Rental charges paid to related companies *(note a)*	**661**	1,940
Consultancy fee paid to a related company *(note b)*	**220**	—
Publishing and provision of related services to related companies	**—**	837

These transactions were carried out after negotiations between the Group and the related parties and on the basis of estimated market value as determined by the directors of the Company.

In prior year, the Company disposed of the Island Gold Group to a related company for a consideration of approximately HK$28,236,000 *(note 22)*.

Note:

(a) Certain directors and substantial shareholders of the Company have beneficial interests in these related companies.

(b) The spouse and brother of a director have beneficial interests in this related company.

Notes to the FINANCIAL STATEMENTS (continued)

27. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	Nominal value of issued ordinary share capital *	Proportion of nominal value of issued capital held by the Company	Principal activities
Directly held				
High Dragon Limited	British Virgin Islands	US$1	100	Investment holding
Invigo Overseas Limited	British Virgin Islands	US$1	100	Investment holding
Windstar Pacific Limited	British Virgin Islands	US$1	100	Investment holding
Indirectly held				
Koniko Company Limited	Hong Kong	HK$20 Deferred** non-voting shares HK$22,143,000	100	Garment manufacture and trading
Orrabi Industries Limited	Hong Kong	HK$20 Deferred** non-voting shares HK$8,500,000	100	Inactive

* *All are ordinary shares unless otherwise stated.*

** *None of the deferred non-voting shares are held by the Group. The deferred non-voting shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.*

All subsidiaries carry on their business in Hong Kong.

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

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