Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1. REORGANISATION

Tack Fat Group International Limited (the "Company") was incorporated in the Cayman Islands on 12 March 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme (the "reorganisation") to rationalise the structure of the Group in the preparation for the public listing of the Company's shares on the Main Board of The Hong Kong Stock Exchange Limited ("SEHK") in April 2002, the Company became the holding company of the companies now comprising the Group on 11 April 2002. This was accomplished by the Company acquiring the entire issued share capital of Ever Century Holdings Limited ("Ever Century"), the then holding company of other subsidiaries, as set out in note 16 to the financial statements. Further details of the reorganisation and the subsidiaries acquired pursuant thereto are set out in the Company's prospectus dated 16 April 2002.

2. BASIS OF PRESENTATION

As the reorganisation took place on 11 April 2002, the effect of the reorganisation is not reflected in the Company's financial statements for the year ended 31 March 2002. However, since all entities which took part in the reorganisation were owned by the same group of ultimate shareholders before and immediately after the reorganisation and, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the reorganisation. Accordingly, the results of the Group for the years ended 31 March 2002 and 2003 have been prepared using the merger basis of accounting in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants.

The results of the Group for the year ended 31 March 2002 include the financial results of the companies which now comprise the Group for the period from 1 April 2001 (or the date of incorporation, if later) to 31 March 2002 as if the current group structure had been in existence and remained unchanged throughout the period presented.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of land and buildings as set out in note 3(e).

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries *(Continued)*

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 3(h)).

(d) Other investments in securities

The Group's policies for investments in securities other than investments in subsidiaries are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(e) Fixed assets

(i) Fixed assets are carried in the balance sheet on the following bases:

- land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see note 3(g)). Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and

- plant and machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 3(g)) and impairment losses (see note 3(h)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets *(Continued)*

(ii) Changes arising on the revaluation of land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of land and buildings held for own use, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(f) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(h). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3(g). Impairment losses are accounted for in accordance with accounting policy as set out in note 3(h). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3(o)(iii).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets *(Continued)*

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(g) Amortisation and depreciation

(i) Depreciation is calculated on a straight-line basis to write off the cost or valuation of fixed assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Plant and machinery	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles and yacht	4 years

(ii) Leasehold land and land use rights are amortised on a straight-line basis over the terms of the respective leases/grants.

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets and other long-lived assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Textile quota entitlements

Permanent textile quota entitlements are stated at cost less accumulated amortisation and impairment losses (see note 3(h)). Amortisation is provided on a straight-line basis over their estimated economic useful life of three years. Costs of temporary textile quota entitlements are charged to the income statement as incurred.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method of costing and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and defined contribution retirement scheme organised by the PRC municipal government, are recognised as an expense in the income statement as incurred, except to the extent that they are included in as part of the cost of inventories at the balance sheet date.

(iii) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes, if any, and is after deduction of trade discounts.

(ii) Trading of temporary textile quota

Revenue arising from trading of temporary textile quota is recognised when it becomes receivable upon the transfer of temporary textile quota entitlements to the buyers.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(iv) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

With respect to subsidiaries outside Hong Kong, whose operations are dependent on the economic circumstances of the Group's reporting currency, the income and expenses of such subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates whereas the monetary assets and liabilities of such subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the consolidated income statement.

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals and other entities.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

(Expressed in Hong Kong dollars)

4. TURNOVER

The principal activities of the Group are the manufacturing and sale of garments.

Turnover represents the aggregate of the invoiced value of goods sold, after deducting goods returned, trade discounts and sales tax and proceeds from trading of temporary textile quota as follows:

	2003	2002
	$'000	*$'000*
Revenue from sales of goods	**884,219**	707,759
Proceeds from temporary textile quota trading	**812**	2,730
	885,031	710,489

5. OTHER REVENUE AND NET INCOME/(EXPENSE)

	2003	2002
	$'000	*$'000*
Other revenue		
Interest income	**1,349**	1,554
Rental income	**–**	456
Consulting and management services fees	**–**	300
Others	**152**	879
	1,501	3,189
Other net income/(expense)		
Net exchange gain/(loss)	**48**	(222)

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

		2003	2002
		$'000	*$'000*
(a)	Finance costs:		
	Interest on bank loans and overdrafts wholly repayable within five years	**12,755**	17,064
	Finance lease charges	**1,081**	1,791
	Bank charges	**5,859**	4,441
		19,695	23,296
(b)	Staff costs #:		
	Contributions to defined contribution retirement plans	**1,833**	1,012
	Salaries, wages and other benefits	**97,990**	73,271
		99,823	74,283
(c)	Other items:		
	Cost of inventories sold #	**593,633**	469,610
	Subcontracting charges #	**62,950**	27,374
	Depreciation #		
	– owned assets	**23,120**	19,286
	– assets held under finance leases	**4,644**	7,286
	Amortisation of permanent textile quota entitlements	**3,989**	3,989
	Purchase cost of temporary textile quota entitlements	**5,212**	4,065
	Operating lease charges in respect of properties #	**2,742**	3,219
	Auditors' remuneration	**1,333**	980
	Provision for inventory obsolescence #	**3,952**	2,954
	Rentals receivable less direct outgoings of $Nil (2002: $Nil)	**–**	(456)

\# *Cost of inventories sold includes $166,546,000 (2002: $113,797,000) relating to subcontracting charges, staff costs, depreciation expenses, operating lease charges and provision for inventory obsolescence, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

7. TAXATION

(a) Taxation in the consolidated income statement represents:

	2003	2002
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**5,746**	8,185
Over-provision in respect of prior years	**(572)**	–
	5,174	8,185
PRC income tax	**–**	10
Deferred taxation *(note 30)*	**4,449**	197
	9,623	8,392

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) on the estimated assessable profits for the year ended 31 March 2003.

The Group's subsidiaries in the PRC, Luoding Hua Tian Long Garment Ltd. and 藍貓製衣企業(羅定)有限公司, are granted certain tax relief, under which they are exempted from PRC income tax for the first two profit-making years and thereafter are entitled to a 50% income tax relief in the subsequent three years. Details are as follows:

(i) Luoding Hua Tian Long Garment Ltd. was subject to PRC income tax at 18% during the year ended 31 December 2001 (being 50% of the standard state income tax rate of 30% and a local income tax rate of 3%). The tax relief ended on 31 December 2001, and this subsidiary has been subject to PRC income tax at 33% since this date.

(ii) 藍貓製衣企業(羅定)有限公司 is exempted from PRC income tax during the two years ending 31 December 2003 and subject to PRC income tax at 18% during the three years ending 31 December 2006 and subject to PRC income tax at 33% thereafter.

The Group's subsidiaries in Cambodia are subject to Cambodia income tax at a rate of 9%. Pursuant to the tax exemption certificates dated 15 June 2000 issued by the relevant tax authorities, Tack Fat Garment (Cambodia) Ltd. was exempted from Cambodia income tax for the period from 15 June 2000 to 14 June 2004 and Cambodia Sportswear Mfg. Ltd. was exempted from Cambodia income tax for the period from 15 June 2000 to 14 June 2003.

(b) Taxation in the consolidated balance sheet represents:

	2003	2002
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**5,746**	8,185
Provisional Profits Tax paid	**(4,779)**	(3,949)
PRC tax payable	**–**	10
	967	4,246
Balance of Profits Tax relating to prior years	**1,379**	134
Balance of PRC income tax relating to prior years	**28**	18
	2,374	4,398

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	$'000	*$'000*
Fees	**110**	–
Salaries, allowances and benefits in kind	**4,500**	4,011
Retirement scheme contributions	**48**	48
	4,658	4,059

Included in the directors' remuneration were fees of $110,000 (2002: $Nil) paid to the independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	2003	2002
	Number of directors	Number of directors
$		
Nil – 1,000,000	**5**	5
2,000,001 – 2,500,000	**–**	1
2,500,001 – 3,000,000	**1**	–
	6	6

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2002: four) are directors whose emoluments are disclosed in note 8 above. The emoluments in respect of the other one (2002: one) individual are as follows:

	2003	2002
	$'000	*$'000*
Salaries, allowances and benefits in kind	**456**	429
Retirement scheme contributions	**12**	12
	468	441

The emoluments of the one (2002: one) individual with the highest emoluments are within the following band:

	2003	2002
$		
Nil – 1,000,000	**1**	1

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $11,953,000 (2002: $Nil) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

(a) Dividends attributable to the year

	2003	2002
	$'000	*$'000*
Interim dividend declared and paid to the then shareholders prior to the reorganisation	**–**	24,000
Interim dividend declared and paid of 0.8 cents per share	**10,624**	–
Final dividend proposed after the balance sheet date of 2 cents per share (2002: 0.625 cents per share)	**27,393**	8,300
	38,017	32,300

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2003	2002
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 0.625 cents per share (2002: $Nil)	**8,300**	–

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $104,126,000 (2002: $82,279,000) and on the weighted average of 1,302,097,000 (2002: 1,024,000,000) ordinary shares in issue during the year based on the assumption that the reorganisation, as set out in note 1 to the financial statements, had been completed on 1 April 2001.

(b) Diluted earnings per share

The calculation of diluted earnings per share in 2003 is based on the adjusted profit attributable to shareholders of $104,288,000 and the weighted average number of shares of 1,324,487,000 shares after adjusting for the effects of all dilutive potential ordinary shares.

The diluted earnings per share in 2002 was not presented as there were no dilutive potential ordinary shares during the year ended 31 March 2002.

12. EARNINGS PER SHARE *(Continued)*

(c) Reconciliations

	2003 *$'000*
Profit attributable to shareholders	**104,126**
Increase in earnings arising from a saving in interest cost, net of tax (assuming the convertible bonds had been converted into shares in the Company at the date of issue)	**162**
Adjusted profit attributable to shareholders	**104,288**

	2003 Number of shares *'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,302,097**
Deemed issue of ordinary shares – convertible bonds	**15,316**
Deemed issue of ordinary shares for no consideration	**7,074**
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,324,487**

13. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segment

Throughout the year, the Group has been operating in one single business segment, i.e. the manufacturing and sale of garments.

13. SEGMENT REPORTING *(Continued)*

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group's business is principally managed in Hong Kong and other parts of the PRC as well as in Cambodia while the principal markets for the Group's products are wholesalers and retailers in North America, Europe and other regions.

		2003	2002
		$'000	*$'000*
(i)	*Segment revenue*		
	North America	**578,297**	493,928
	Europe	**218,415**	181,109
	Other regions	**88,319**	35,452
		885,031	710,489
(ii)	*Capital expenditure*		
	Hong Kong	**971**	2,930
	PRC, excluding Hong Kong	**14,477**	1,352
	Cambodia	**25,584**	23,665
		41,032	27,947
(iii)	*Segment assets*		
	Hong Kong	**256,735**	288,042
	PRC, excluding Hong Kong	**95,608**	59,087
	Cambodia	**365,013**	326,734
		717,356	673,863

14. FIXED ASSETS

(a)

	Land and buildings $'000	Plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles and yacht $'000	Total $'000
Cost or valuation:					
As at 1 April 2002	217,934	147,879	43,816	12,389	422,018
Additions	2,341	35,685	3,006	–	41,032
As at 31 March 2003	220,275	183,564	46,822	12,389	463,050
Representing:					
Cost	41,064	183,564	46,822	12,389	283,839
Valuation – 31 January 2002	179,211	–	–	–	179,211
	220,275	183,564	46,822	12,389	463,050
Accumulated depreciation:					
As at 1 April 2002	5,391	112,467	32,533	11,830	162,221
Charge for the year	4,919	18,159	4,361	325	27,764
As at 31 March 2003	10,310	130,626	36,894	12,155	189,985
Net book value:					
As at 31 March 2003	209,965	52,938	9,928	234	273,065
As at 31 March 2002	212,543	35,412	11,283	559	259,797

14. FIXED ASSETS *(Continued)*

(b) The analysis of net book value of properties is as follows:

	2003	2002
	$'000	*$'000*
In Hong Kong		
– Medium-term leases #	**13,831**	14,147
In PRC, other than Hong Kong		
– Medium-term leases #	**26,543**	27,192
In Cambodia		
– Long-term leases #	**169,591**	171,204
	209,965	212,543

\# *Medium-term leases represent leases with an unexpired period of less than 50 years but not less than 10 years. Long-term leases represent leases with an unexpired period of not less than 50 years.*

Pursuant to revised lease agreements dated 28 May 1998, the Company's subsidiaries in Cambodia leased two parcels of land from the Government of Cambodia for a period of 70 years beginning in April and September 1994 respectively, in consideration of pre-determined fixed annual rents totalling approximately $55,057,000. Additionally, its subsidiaries contracted to pay for a further sum of monies equivalent to 0.3% of their net profits per annum. Pursuant to the lease agreements, the subsidiaries' title to fixtures erected on the relevant land will be surrendered to the Government of Cambodia upon expiry of the respective leases. Such leases have been accounted for as finance leases in accordance with the accounting policy set out in note 3(f).

In addition, pursuant to lease agreements dated 26 July 2000, the Company's subsidiaries in Cambodia leased another two parcels of land in Cambodia from Tack Fat Investment Co., Ltd ("Tack Fat Investment"), a related party for a period of 70 years beginning in July 2000 with an option to renew, at an aggregate consideration of $58,964,000.

In respect of the Group's properties in the PRC, other than Hong Kong, the Group has been granted the right to use the land by the relevant PRC authorities for a period of 50 years, which expires in April 2044.

(c) The Group's land and buildings at 31 January 2002 were revalued by American Appraisal Hongkong Limited, an independent firm of professional valuers in Hong Kong at their open market value. The revaluation surpluses of $16,849,000 had been transferred to the land and buildings revaluation reserve of the Group (note 32) in 2002.

The carrying amount of the land and buildings held for own use of the Group at 31 March 2003 would have been approximately $193,701,000 (2002: $195,741,000) had they been carried at cost less accumulated depreciation.

14. FIXED ASSETS *(Continued)*

(d) The Group leases production plant and machinery, office equipment and lands under finance leases expiring from one to seventy years. According to the lease agreements of production plant and machinery and office equipment, the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option at the end of the lease term. None of these leases includes contingent rentals.

As at 31 March 2003, the net book value of fixed assets held under finance leases was approximately $51,345,000 (2002: $61,302,000).

(e) Certain fixed assets of the Group are pledged to secure mortgaged loans and other banking facilities granted to the Group as follows:

	2003	2002
	$'000	*$'000*
Net book value of pledged fixed assets	**13,831**	85,004

15. INTANGIBLE ASSETS

	2003	2002
	$'000	*$'000*
Permanent textile quota entitlements		
Cost		
At 1 April 2002 and 31 March 2003	**13,648**	13,648
Accumulated amortisation		
At 1 April	**8,363**	4,374
Charge for the year	**3,989**	3,989
At 31 March	**12,352**	8,363
Net book value	**1,296**	5,285

16. INVESTMENTS IN SUBSIDIARIES

	2003	2002
	$'000	*$'000*
Unlisted shares, at cost	**228,300**	–

(Expressed in Hong Kong dollars)

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

All of these are subsidiaries as defined under note 3(c) and have been consolidated into the Group's financial statements in accordance with the basis of presentation set out in note 2 on the financial statements.

Name of company	Place of Incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Tack Fat Swimwear Manufacturing Limited	Hong Kong	1,000 non-voting deferred shares of $10,000 each 2 ordinary shares of $10,000 each	–	100	Manufacturing and sale of garments
Tack Fat Manufacturing Factory Limited	Hong Kong	2 ordinary shares of $10 each	–	100	Trading of fabric and other materials
Chiu Wing Enterprise Company Limited	Hong Kong	3,000 non-voting deferred shares of $1,000 each 2 ordinary shares of $1,000 each	–	100	Property holding
Luoding Hua Tian Long Garment Ltd. (note (i))	PRC	US$2,466,782	–	100	Manufacturing of garments
Tack Fat Garment (Cambodia) Ltd. (note (ii))	Cambodia	US$3,000,000	–	100	Manufacturing of garments
Cambodia Sportswear Mfg. Ltd. (note (ii))	Cambodia	US$2,400,000	–	100	Manufacturing of garments

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of Incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the company	Proportion of ownership interest held by a subsidiary	Principal activities
Tack Fat International Holdings Limited	Hong Kong	10,000 non-voting deferred shares of $1 each 2 ordinary shares of $1 each	–	100	Investment holding
Lantern Services Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Ever Century Holdings Limited	British Virgin Islands/ Hong Kong	700 ordinary shares of US$1 each	100	–	Investment holding
Potter Industries Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Trading of packing materials
Blue Cat Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	–	100	Manufacturing of "Blue Cat" apparel
Blue Cat Enterprises (HK) Limited	Hong Kong	10 ordinary shares of $1 each	–	100	Investment holding
藍貓製衣企業(羅定)有限公司 *(note (i))*	PRC	HK$1,000,000	–	100	Manufacturing of "Blue Cat" apparel

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are wholly foreign owned limited companies incorporated pursuant to the Law on Investment in the Kingdom of Cambodia and the Law Bearing Upon Commercial Regulation and the Commercial Register.

17. OTHER FINANCIAL ASSETS

	2003 $'000	2002 $'000
Investment securities – Unlisted equity shares, at cost	300	–
Club debentures	1,216	1,216
	1,516	1,216

18. INVENTORIES

	2003 $'000	2002 $'000
Raw materials	106,019	91,546
Work in progress	43,863	38,915
Finished goods	17,836	15,197
	167,718	145,658

None of the inventories is stated at net realisable value.

19. TRADE RECEIVABLES

Credit terms granted by the Group to customers generally range from one to three months.

Included in trade receivables are balances (stated after provisions for doubtful debts) with the following ageing analysis:

	2003 $'000	2002 $'000
Within three months	121,753	94,220

All of the above balances are expected to be recovered within one year.

20. AMOUNT DUE FROM RELATED COMPANY

Amount due from related company was unsecured, interest free and repayable on demand. The balance was due from Tack Fat Swimwear Manufacturing (China) Ltd. in which Mr Kwok Wing holds a 50% beneficial interest.

There was no provision made against the balance at 31 March 2002. The balance at 31 March 2002 was subsequently settled in full in April 2002 (note 35).

Supplementary information disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	2003 $'000	2002 $'000
Outstanding balance as at the balance sheet date	–	63,797
Maximum balance outstanding during the year	63,797	65,032

21. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amount due from subsidiary of $128,374,000 is unsecured, bears interest at 4% per annum and has no fixed terms of repayment. The remaining balance is unsecured, interest free and has no fixed terms of repayment.

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

22. CASH AND CASH EQUIVALENTS

	The group		The company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**15,460**	–	**–**	–
Cash at bank and in hand	**51,451**	7,850	**10**	–
Cash and cash equivalents in the balance sheet	**66,911**	7,850	**10**	–
Bank overdrafts *(note 24)*	**(443)**	(35,822)		
Cash and cash equivalents in the cash flow statement	**66,468**	(27,972)		

23. TRADE PAYABLES

The credit terms obtained by the Group generally range from 30 days to 180 days. Included in trade payables are balances with the following ageing analysis:

	2003	2002
	$'000	*$'000*
Due within one month or on demand	**10,520**	11,303
Due after one month but within three months	**12,104**	16,568
Due after three months but within six months	**12,959**	16,873
Due after six months but within one year	**3,006**	5,299
	38,589	50,043

All of the above balances are expected to be settled within one year.

24. BANK LOANS AND OVERDRAFTS

At 31 March 2003, the bank loans and overdrafts were repayable as follows:

	2003	2002
	$'000	*$'000*
Within one year or on demand	**143,094**	238,221
After one year but within two years	**5,008**	26,681
After two years but within five years	**–**	7,028
	5,008	33,709
	148,102	271,930

At 31 March 2003, the bank loans and overdrafts were secured as follows:

	2003	2002
	$'000	*$'000*
Secured bank borrowings		
Bank overdrafts *(note 22)*	**443**	35,822
Trust receipt loans	**106,381**	110,242
Export finance loans	**12,991**	74,388
Term loans	**12,821**	41,048
Mortgaged property loan	**–**	559
	132,636	262,059
Unsecured term loans	**15,466**	9,871
	148,102	271,930

The banking facilities of the Group were secured by the following:

(i) Pledge of bank deposits totalling $71,965,000 (2002: $69,383,000);

(ii) The Group's inventories released under trust receipt bank loans;

(iii) Mortgages over certain properties of the Group (note 14(e)); and

(iv) Corporate guarantees issued by the Company.

25. CONVERTIBLE BONDS

	2003 $'000	2002 $'000
Unlisted and unsecured redeemable convertible bonds	**27,300**	–

On 19 December 2002, the Company entered into a subscription agreement (the "Subscription Agreement") with an independent third party under which the Company agreed to issue unlisted and unsecured redeemable convertible bonds ("the Bonds") up to an amount of US$12,000,000 (approximately $93,600,000). The Bonds bear interest at the rate of 2.5 per cent per annum payable semi-annually in arrears. The Bonds will be redeemed at 100 per cent of their principal amount on 19 December 2005 unless previously redeemed, converted or purchased and cancelled. A bondholder may convert the Bonds into new shares of HK$0.10 each in the Company at such conversion prices to be determined in accordance with the terms of the Subscription Agreement during the conversion period, which ends one week immediately prior to 19 December 2005. If the share price of the Company falls below certain predetermined amounts, the Company may redeem the Bonds at a price equivalent to the aggregate of 100 per cent of the principal amount of the Bonds to be redeemed and interest at a rate of 9 per cent per annum.

The bondholder is also entitle to subscribe for new shares of the Company at such prices to be determined in accordance with the Subscription Agreement.

On 19 December 2002, the Company issued the Original Tranche 1 Bonds of US$4,000,000 (approximately $31,200,000) pursuant to the Subscription Agreement. Up to the date of these financial statements, no further issue of the Bonds has been made by the Company.

Up to 31 March 2003, an aggregate amount of US$500,000 (approximately $3,900,000) out of the Original Tranche 1 Bonds was converted into 7,568,000 ordinary shares of the Company (note 31).

Subsequent to the year end and up to the date of approval of these financial statements, an additional aggregate amount of US$1,500,000 (approximately $11,700,000) out of the Original Tranche 1 Bonds was converted into 22,328,000 shares of the Company and 11,744,000 shares of the Company were issued upon exercise of the rights granted to the bondholder to subscribe for new shares of the Company.

26. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2003, the Group had obligations under finance leases repayable as follows:

	Present value of minimum lease payments $'000	Interest expense relating to future periods $'000	Total minimum lease payments $'000
As at 31 March 2003			
Within one year	8,308	659	8,967
After one year but within two years	2,672	387	3,059
After two years but within five years	798	1,070	1,868
After five years	35,103	12,109	47,212
	38,573	13,566	52,139
	46,881	14,225	61,106
As at 31 March 2002			
Within one year	9,351	895	10,246
After one year but within two years	3,874	521	4,395
After two years but within five years	2,277	1,094	3,371
After five years	35,410	12,464	47,874
	41,561	14,079	55,640
	50,912	14,974	65,886

As at 31 March 2003, certain finance lease obligations were secured by corporate guarantees issued by the Company.

27. AMOUNTS DUE TO SHAREHOLDERS

The balances were unsecured, interest free and had no fixed terms of repayment.

The balance at 31 March 2002 was subsequently settled in full in April 2002 *(note 35)*.

28. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its eligible employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

In addition, the Group's subsidiaries in the PRC participate in a defined contribution retirement scheme organised by the PRC municipal government. These subsidiaries are required to make contributions at 18% of the relevant PRC employees' salaries to the scheme.

The Group is not required to operate a retirement scheme for its employees in Cambodia.

Save as disclosed above, the Group has no other obligations to make payments in respect of retirement benefits of the employees.

29. EQUITY COMPENSATION BENEFITS

The Company has conditionally adopted a share option scheme approved by way of written resolution on 11 April 2002 under which the directors of the Company may invite any full-time employees, directors (including executive directors, non-executive directors and independent non-executive directors) and part-time employees of the Group with weekly working hours of 10 hours and above, any advisers (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the Group from time to time to take up options to subscribe for shares of the Company.

The exercise price is determined by the board of directors at its absolute discretion and notified to each option holder but shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the SEHK on the date of grant, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the SEHK for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share on the date of grant. The options may be exercised in accordance with the terms of the share option scheme at any time during a period to be notified by the board of directors to each option holder but may not be exercised after the expiry of ten years from the date of grant. The board of directors may provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one share.

On 7 November 2002, the Company has granted 132,800,000 options at a nominal consideration under the share option scheme to certain employees of the Group to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share of the Company at a subscription price of $0.465 with exercisable period from 7 November 2002 to 6 November 2004. None of the share options granted by the Company has been exercised during the year and up to the date of approval of these financial statements.

30. DEFERRED TAXATION

(a) Movements in deferred taxation comprise:

	2003	2002
	$'000	*$'000*
At 1 April	**1,445**	1,642
Transfer to the income statement *(note 7(a))*	**(4,449)**	(197)
At 31 March	**(3,004)**	1,445
Representing:		
Deferred tax assets	**3,161**	4,391
Deferred tax liabilities	**(6,165)**	(2,946)
	(3,004)	1,445

(b) Major component of deferred tax of the Group is set out below:

	2003	2002
	$'000	*$'000*
Difference between tax allowances and depreciation	**(3,004)**	1,445

No provision for deferred taxation has been made in respect of the revaluation surpluses arising on properties in Hong Kong as the disposal of these assets at their carrying value would result in capital gains which the directors consider are not subject to any tax. In addition, the directors are of the opinion that the Group has no intention to dispose of its properties in the foreseeable future. Accordingly, the potential deferred tax liability of $484,000 (2002: $777,000) has not been provided on the revaluation surpluses of properties outside Hong Kong. There were no other material unprovided deferred taxation liabilities at the balance sheet date.

31. SHARE CAPITAL

	$'000
Authorised:	
2,000,000,000 ordinary shares of $0.1 each	200,000
Issued and fully paid:	
1,335,568,000 ordinary shares of $0.1 each	133,557

The following is a summary of movements in the authorised and issued share capital of the Company:

	Note	Number of ordinary shares of *$0.1 each*	*$'000*
Authorised:			
On incorporation and at 31 March 2002	*(a)*	3,800,000	380
Increase in authorised share capital	*(c)*	1,996,200,000	199,620
At 31 March 2003		2,000,000,000	200,000
Issued and fully paid:			
Ordinary shares issued on incorporation as part of the consideration for the acquisition of the entire issued share capital of Ever Century	*(b)*	1,000,000	100
Ordinary shares issued as the remaining consideration for the acquisition of the entire issued share capital of Ever Century	*(d)*	65,000,000	6,500
Proforma share capital at 31 March 2002		66,000,000	6,600
New issue on public offer and placing	*(e)*	256,000,000	25,600
Capitalisation of share premium account and retained earnings	*(f)*	958,000,000	95,800
Exercise of over-allotment option	*(g)*	48,000,000	4,800
Conversion of convertible bonds	*(h)*	7,568,000	757
Share capital at 31 March 2003		1,335,568,000	133,557

31. SHARE CAPITAL *(Continued)*

During the period from 12 March 2001 (date of incorporation) to 31 March 2003, the following changes in the Company's authorised and issued share capital were recorded:

(a) On 12 March 2001, the Company was incorporated with an authorised share capital of $380,000 divided into 3,800,000 ordinary shares of $0.1 each.

(b) On 26 March 2001, one ordinary share was allotted and issued nil paid to the initial subscriber. On the same date, an additional 999,999 ordinary shares were allotted and issued nil paid.

(c) On 11 April 2002, pursuant to written resolutions of all the shareholders of the Company, the authorised share capital of the Company was increased from $380,000 to $200,000,000 by the creation of 1,996,200,000 additional ordinary shares of $0.1 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

(d) On 11 April 2002, pursuant to the reorganisation described in note 1 to the financial statements, the Company allotted and issued 65,000,000 ordinary shares of $0.1 each, credited as fully paid, and also credited as fully paid the 1,000,000 ordinary shares of $0.1 each issued as set out in (b) above, in consideration for the acquisition of the entire issued share capital of Ever Century.

(e) On 26 April 2002, 256,000,000 ordinary shares of $0.1 each were issued to the public at $0.385 each for a total cash consideration of $98,560,000 before the related issue expenses.

(f) On 11 April 2002, conditional on the share premium account of the Company being credited as a result of the issue of new ordinary shares to the public as mentioned in (e) above, a total of 958,000,000 ordinary shares of $0.1 each were allotted as fully paid at par to the shareholders whose names appeared on the register of members of the Company at that date, in proportion to their respective shareholdings by way of capitalisation of the sum of $67,880,000 and $27,920,000 standing to the credit of the share premium account and retained earnings account of the Group respectively.

(g) On 15 May 2002, the over-allotment option granted by the Company referred to in the prospectus was exercised in full. An additional new 48,000,000 ordinary shares of $0.1 each were issued at $0.385 each to meet the over-allocations in the placing.

(h) On 22 January 2003 and 20 February 2003, convertible bonds totalling US$500,000 (approximately $3,900,000) were converted into 7,568,000 ordinary shares of $0.1 each (note 25).

32. RESERVES

(a) The group

	Share premium	Land and buildings revaluation reserve *(note (i))*	Contributed surplus *(note (ii))*	PRC statutory reserve *(note (iii))*	Retained earnings	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 April 2001	–	–	6,400	19	148,453	154,872
Revaluation surplus *(note 14(c))*	–	16,849	–	–	–	16,849
Profit for the year	–	–	–	–	82,279	82,279
Dividends declared in respect of the current year *(note 11)*	–	–	–	–	(24,000)	(24,000)
At 31 March 2002	–	16,849	6,400	19	206,732	230,000
At 1 April 2002	–	16,849	6,400	19	206,732	230,000
Dividends approved in respect of the previous year *(note 11)*	–	–	–	–	(8,300)	(8,300)
New issue of shares on public offer and placement	86,640	–	–	–	–	86,640
Capitalisation issue	(67,880)	–	–	–	(27,920)	(95,800)
Share issue costs	(18,760)	–	–	–	–	(18,760)
Bonds issue costs	(1,491)	–	–	–	–	(1,491)
Shares issued on conversion of convertible bonds	3,138	–	–	–	–	3,138
Profit for the year	–	–	–	–	104,126	104,126
Profit appropriation to reserve funds	–	–	–	500	(500)	–
Dividends declared in respect of the current year *(note 11)*	–	–	–	–	(10,624)	(10,624)
At 31 March 2003	1,647	16,849	6,400	519	263,514	288,929

Notes:

(i) The land and buildings revaluation reserve has been set up and will be dealt with in accordance with the accounting policy adopted for the revaluation of land and buildings held for own use (note 3(e)).

(ii) The excess of the nominal value of shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the shares of the Company issued in exchange is credited to the contributed surplus.

(iii) In accordance with the relevant PRC laws applicable to enterprises with foreign investment, the Company's subsidiaries in the PRC are required to transfer at least 10% of their annual net profit determined under PRC accounting regulations to the general reserve. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.

32. RESERVES *(Continued)*

(b) The company

	Share premium *(note (i))* $'000	Contributed surplus *(note (ii))* $'000	Retained earnings $'000	Total $'000
At 31 March and 1 April 2002	–	–	–	–
Surplus arising on acquisition of the entire share capital of Ever Century	–	230,000	–	230,000
New issue of shares on public offer and placement	86,640	–	–	86,640
Capitalisation issue	(67,880)	(27,920)	–	(95,800)
Share issue costs	(18,760)	–	–	(18,760)
Dividends approved in respect of the previous year *(note 11)*	–	(8,300)	–	(8,300)
Bonds issue costs	(1,491)	–	–	(1,491)
Conversion of convertible bonds *(note 25)*	3,138	–	–	3,138
Profit for the year	–	–	11,953	11,953
Dividends declared in respect of the current year *(note 11)*	–	–	(10,624)	(10,624)
	1,647	193,780	1,329	196,756

Notes:

(i) In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) The contributed surplus represents the difference between the combined net asset value of the subsidiaries acquired pursuant to the reorganisation, as set out in note 1 to the financial statements, over the nominal value of the shares of the Company issued in exchange therefor. The application of contributed surplus is the same as the share premium.

(iii) At 31 March 2003, the aggregate amount of reserves available for distribution to shareholders of the Company was $196,756,000 (2002: $Nil). After the balance sheet date, the directors proposed a final dividend of 2 cents per share (2002: 0.625 cents per share), amounting to $27,393,000 (2002: $8,300,000). This dividend has not been recognised as a liability at the balance sheet date.

33. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	The group	
	2003	2002
	$'000	*$'000*
Contracted for	**5,535**	–

(b) At 31 March 2003, the total future minimum lease payments under non-cancellable operating leases relating to properties are repayable as follows:

	The group	
	2003	2002
	$'000	*$'000*
Within 1 year	**2,132**	2,135

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

34. CONTINGENT LIABILITIES

(a) At 31 March 2003, there were contingent liabilities in respect of the following:

	The group	
	2003	2002
	$'000	*$'000*
Bills discounted with recourse	**55,545**	47,849

(b) A writ of summons dated 29 February 2000 was filed by a supplier of the Group against Tack Fat Swimwear Manufacturing Limited, an indirect wholly owned subsidiary of the Company, claiming a sum of US$202,850 (equivalent to $1,582,000) for an alleged breach of the payment terms under certain purchase contracts. Based on the advice obtained from the legal advisers acting for Tack Fat Swimwear Manufacturing Limited, the directors of the Company are of the view that Tack Fat Swimwear Manufacturing Limited has a valid defence and counterclaim against the supplier. Consequently, no provision for such litigation or the associated legal costs has been included in the financial statements.

(c) The Company has issued letters of guarantee to certain banks of $489,650,000 (2002: $Nil) for banking facilities granted to certain subsidiaries.

35. RELATED PARTY TRANSACTIONS

During the year, the following significant related party transactions took place:

(a) Recurring transactions

	Note	**2003** **$'000**	2002 $'000
Warehouse rentals	*(i)*	**372**	372
Directors' quarters rentals paid to	*(ii)*		
– Jumbo Team		**816**	816
– Granco		**816**	816
Guangzhou office rentals	*(iii)*	**490**	490
Sales of "Blue Cat" apparel	*(iv)*	**23,124**	–

Notes:

(i) The Group entered into lease arrangements with Mr Kwok Wing, a director of the Company, and his mother for leasing of a warehouse. The lease currently in force will expire on 22 October 2003 and the monthly rental payable by the Group under such lease is $31,000, which was determined by reference to open market value.

(ii) During the year, the Group entered into lease arrangements with Jumbo Team Development Limited ("Jumbo Team") and Granco Enterprises Limited ("Granco") for the provision of directors' quarters to the Group. Both Granco and Jumbo Team are jointly owned by Mr Kwok Wing and his brother. On 3 March 2003, the leases with Granco and Jumbo Team were renewed for a period of one year beginning on 1 April 2003. The monthly rental payable by the Group under each of the new leases is $68,000, which was determined by reference to open market value.

(iii) In October 2001, the Group entered into lease arrangements with Guangzhou Tack Fat Construction Co., Ltd., a company which is controlled by Mr Kwok Wing and his brother for leasing of an office property in Guangzhou, the PRC. The lease currently in force will expire on 26 October 2003 and the monthly rental payable by the Group under such lease is approximately RMB43,000, which was determined by reference to open market value.

(iv) Pursuant to an exclusive manufacturing agreement dated 25 March 2002 entered into between the Group and Blue Cat Development Limited ("Blue Cat Development") for manufacturing clothing and apparel accessories in relation to the Blue Cat cartoon characters. During the year, the Group sold "Blue Cat" apparel to Blue Cat Development totalling HK$23,124,000. The terms of such sales were similar to that provided by the Group to independent customers. Mr Kwok Wing has a 51% equity interest in Blue Cat Development.

(b) Non-recurring transactions

	Note	**2003** **$'000**	2002 $'000
Payments of subcontracting fees	*(i)*	**–**	283
Sales of properties	*(ii)*	**–**	5,300

35. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) During the year ended 31 March 2002, the Group paid subcontracting fees to Tack Fat Knitting Factory ("Tack Fat Knitting") for its manufacturing services rendered to the Group. Such fees were determined by reference to the unit production cost and number of units manufactured under each order by Tack Fat Knitting. Ms Kwok Choi Ha held a 50% ownership in Tack Fat Knitting and her father, Mr Kwok Kam Chuen is a director of Luoding Hua Ting Long Garment Ltd, a subsidiary of the Company. On 4 May 2001, Ms Kwok disposed of her interest in Tack Fat Knitting to an independent third party.

(ii) On 28 March 2002, the Group disposed of two residential properties to Granco and Jumbo Team respectively at an aggregate consideration of $5,300,000, which represented approximately the assets' net book value at the date of disposal. No material gain or loss was resulted from the above disposal.

(iii) During the year ended 31 March 2002, Mr Kwok Wing and his brother provided unsecured, interest free advances to the Group. Details of the terms of the advances and the balance outstanding are disclosed in note 27 on the financial statements.

(iv) During the year ended 31 March 2002, several properties owned jointly by Mr Kwok Wing and his mother and cash deposits and personal guarantees issued by Mr Kwok Wing and his brother were provided as part of the security pledged against the banking facilities granted to the Group. At 31 March 2002, bank loans and overdrafts of $246,260,000 were secured by the above personal guarantees, properties and cash deposits. Such cash deposits and guarantees were released upon the listing of the Company's shares on the SEHK and replaced by corporate guarantees of the Company.

(v) Personal guarantees were provided by Mr Kwok Wing and his brother in respect of certain finance lease obligations entered into by the Group. Such guarantees were released upon the listing of the Company's shares on the SEHK and replaced by corporate guarantees of the Company.

(vi) During the year ended 31 March 2002, the Group made unsecured interest free advances to Tack Fat Swimwear Manufacturing (China) Co. Ltd.. Details of the terms of the advances and the balance outstanding are disclosed in note 20 to the financial statements.

The directors of the Company are of the opinion that the above non-recurring transactions with related parties were conducted on normal commercial terms in the ordinary course of business of the Group.

36. POST BALANCE SHEET EVENTS

(a) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 11.

(b) There were strikes in June 2003 in Cambodia held by the Free Trade Union of Workers requesting an increase in the minimum wages for workers. The directors of the Group consider that there is no significant interruption to the operations of the Group's subsidiaries in Cambodia and no adverse effect on the financial statements is envisaged.

37. COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, certain advances from banks have been excluded from the definition of cash equivalents, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.