

Notes to the Accounts

1. Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain land and buildings.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. A company is a subsidiary if more than 50% of the issued voting capital is held for the long term.

The consolidated accounts also include the Group’s share of post-acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired and disposed of during the year are included in the consolidated profit and loss account from or up to their effective dates of acquisition or disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any goodwill or capital reserve which was not previously recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group’s share of the results of associated companies as reported in their accounts which are made up to dates between 31st December and 31st March, and the consolidated balance sheet includes the Group’s share of the net assets of the associated companies.

(d) Jointly controlled entities

A jointly controlled entity is an entity which through a contractual arrangement is subject to joint control by two or more parties, and none of the parties has unilateral control over the economic activity of the entity. All the Group’s jointly controlled entities are equity accounted for irrespective of the extent of the Group’s equity interest therein. Accordingly, the Group’s consolidated profit and loss account includes the Group’s share of results of jointly controlled entities as reported in their accounts which are made up to dates between 31st December and 31st March whilst in the Group’s consolidated balance sheet, the investments in jointly controlled entities represents the Group’s share of their net assets.

(e) Goodwill or capital reserve on consolidation

Goodwill or capital reserve on consolidation represents the excess or shortfall of the purchase consideration paid over the Group’s share of the fair value ascribed to the net assets of the respective subsidiaries or associated companies or jointly controlled entities acquired at the date of acquisition and are written off or credited to reserves in the year in which they arise. Upon disposal of a subsidiary or an associated company or a jointly controlled entity, the attributable amount of goodwill or capital reserve previously written off or credited to reserves is transferred to the profit and loss account in determining the profit or loss on such disposal.

(f) Fixed assets

Fixed assets are stated at cost or valuation, less accumulated depreciation.

Effective from 31st March, 1975 no further revaluations of the Group’s land and buildings have been carried out. The Group places reliance on paragraph 72 of SSAP 17 which provides exemption from the need to make regular revaluations for such assets.

Freehold land is not amortised. Leasehold land is amortised over the remaining period of the relevant lease. Buildings are depreciated at the annual rate of 4%.

Plant and machinery and other fixed assets are depreciated at annual rates of 10% to 20% to write off their costs over their remaining estimated useful lives on a straight line basis.

Repair and maintenance costs are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts.

The gains or losses arising from the retirement or disposal of fixed assets are determined as the difference between the

Notes to the Accounts

estimated net disposal proceeds and the carrying amount of the assets and are recognised as income or expense in the profit and loss account.

(g) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable on or receivable from such leases are charged or credited to the profit and loss account on a straight line basis over the lease term.

(h) Investment securities

Investment securities are stated at cost less provision for diminution in value.

The carrying amount of individual investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(i) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost is calculated on the first in first out basis or the weighted average basis. Cost of work in progress and finished goods comprises materials, direct labour and an appropriate proportion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(k) Debtors

Provision is made against debtors to the extent they are considered to be doubtful. Debtors are stated in the balance sheet net of such provision.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(m) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

Where a forward contract is used as a hedge of a net monetary asset or liability, the gain or loss on the contract and the discount or premium are taken to the profit and loss account.

On consolidating the accounts of certain overseas subsidiaries whose principal activities are investment holding, all assets, liabilities, revenue and expenses are translated at rates of exchange ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities are retranslated at the closing rates of exchange and any resulting exchange differences are taken to the profit and loss account. The accounts of all other overseas subsidiaries, associated companies and jointly controlled entities are translated at the rates of exchange ruling at the balance sheet date and the resulting exchange differences are dealt with as a movement in reserves.

(n) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight-line basis.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(o) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

(p) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

2. Analysis of the Group's turnover, revenues and operating profit

The Group is principally engaged in the manufacturing and trading of textiles and clothing, and investment holding. An analysis of turnover, revenues and operating profit by principal activities is as follows:

	Turnover and revenues	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Textiles and clothing	<u>905,904</u>	<u>946,386</u>
Other revenues		
Dividend income from		
Listed investments	8,889	6,569
Unlisted investments	607	1,211
Rental income from other properties less outgoings	1,979	2,438
Interest income	<u>17,097</u>	<u>20,145</u>
	<u>28,572</u>	<u>30,363</u>
	<u>934,476</u>	<u>976,749</u>
	Operating profit	
	2001	2000
	HK\$'000	HK\$'000
Operating profit before interest income and finance costs		
Textiles and clothing	70,497	69,515
Investment	<u>(26,993)</u>	<u>10,407</u>
	43,504	79,922
Interest income less finance costs	<u>(181)</u>	<u>(1,536)</u>
Operating profit	<u>43,323</u>	<u>78,386</u>

A geographical analysis of the Group's turnover by markets is as follows:

	Turnover	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong	184,865	173,072
North America	456,264	534,805
Europe	141,334	147,587
Asia	103,847	69,606
Others	<u>19,594</u>	<u>21,316</u>
	<u>905,904</u>	<u>946,386</u>

Analysis of the Group's sales to North America by countries is as follows:

U.S.A.	445,814	513,901
Canada	<u>10,450</u>	<u>20,904</u>
	<u>456,264</u>	<u>534,805</u>

Geographical analysis of operating profit is not presented as there is no contribution from a specific area which is abnormal in nature.

Notes to the Accounts

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Crediting:		
Profit on disposal of fixed assets	7,525	—
Profit on disposal of subsidiaries	—	629
Profit on disposal of associated companies	—	200
Profit on disposal of jointly controlled entities	—	3,649
Realised gain on disposal of other investments	—	24,960
Unrealised gain on other investments	—	523
Provision for diminution in value of investment securities written back	693	—
Exchange gain	—	3,636
	<u> </u>	<u> </u>
Charging:		
Cost of inventories sold	716,853	726,504
Depreciation of fixed assets	20,390	20,964
Staff costs	183,814	205,818
Retirement benefit costs (<i>Note 6</i>)	1,754	945
Provision for long service payments (<i>Note 24</i>)	184	4,319
Operating leases rental in respect of land and buildings	4,659	5,962
Auditors' remuneration	1,902	1,699
Loss on disposal of fixed assets	—	5,252
Loss on disposal of subsidiaries	1,117	—
Loss on disposal of investment securities	2,252	1,434
Provision for diminution in value of investment securities	—	14,441
Realised loss on disposal of other investments	15,854	—
Unrealised loss on other investments	10,661	—
Exchange loss	5,195	—
	<u> </u>	<u> </u>

4. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to Directors of the Company during the year are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees	476	325
Other emoluments:		
Salaries	4,557	4,658
Bonuses	6,246	4,378
Contribution to provident fund	44	42
	<u>11,323</u>	<u>9,403</u>

Directors' fees disclosed above include HK\$330,000 (2000: HK\$175,000) paid to Independent Non-Executive Directors of the Company.

The emoluments of the Directors of the Company fell within the following bands:

Emolument bands	Number of Directors	
	2001	2000
Nil — HK\$1,000,000	10	12
HK\$1,000,001 — HK\$1,500,000	1	1
HK\$1,500,001 — HK\$2,000,000	—	2
HK\$2,000,001 — HK\$2,500,000	3	1
	<u>14</u>	<u>16</u>

(b) Five highest paid individuals

Among the five individuals whose emoluments were the highest in the Group for the year, four (2000: three) were Directors of the Company whose emoluments are disclosed above. The remuneration of the other one (2000: two) individual is as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries	753	1,354
Bonuses	1,035	1,603
	<u>1,788</u>	<u>2,957</u>

The emoluments fell within the following bands:

Emolument bands	Number of Individuals	
	2001	2000
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$1,500,001 — HK\$2,000,000	1	1
	<u>1</u>	<u>2</u>

Notes to the Accounts

5. Finance costs

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest expense		
Bank loans and overdrafts	16,064	21,215
Other payables wholly repayable within five years	<u>1,214</u>	<u>466</u>
	<u>17,278</u>	<u>21,681</u>

6. Retirement benefit costs

Prior to 1st December, 2000 the Group contributed to a defined contribution retirement benefit scheme (the "old scheme") which was available to staff of certain subsidiaries in Hong Kong. The assets of the old scheme were held separately from those of the Group in an independently administered fund. As from 1st December, 2000 the Group contributes to a defined contribution mandatory provident fund scheme (the "new scheme") for those employees in Hong Kong under the age of 65. All the assets and accrued benefits under the old scheme as at 30th November, 2000 were transferred to the new scheme.

Certain subsidiaries operate in countries which have central government administered retirement schemes.

Contributions are made by the Group as a percentage of employee's relevant salaries according to the statutory requirements.

The retirement benefit costs in respect of the above retirement schemes amounted to HK\$1,754,000 (2000: HK\$945,000). Available forfeited contributions totalling HK\$325,000 (2000: HK\$370,000) were fully utilised during the year to reduce the Group's contribution.

7. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year. Taxation on overseas profits has been provided on the estimated assessable profits for the year at the rates of taxation applicable in the countries in which the Group operates.

	Group	
	2001	2000
	HK\$'000	HK\$'000
The amount of taxation charged to the consolidated profit and loss account represents:		
The Company and its subsidiaries:		
Hong Kong profits tax	5,991	5,785
Overseas taxation	2,898	2,684
Deferred taxation (Note 25)	<u>(218)</u>	<u>577</u>
	<u>8,671</u>	<u>9,046</u>
Share of taxation attributable to:		
Associated companies	2,903	2,361
Jointly controlled entities	<u>511</u>	<u>214</u>
	<u>3,414</u>	<u>2,575</u>
	<u>12,085</u>	<u>11,621</u>
Deferred tax (charge)/credit for the year has not been accounted for in respect of:		
Provision for long service payments	(61)	(17)
Tax losses	<u>(1,909)</u>	<u>1,263</u>
	<u>(1,970)</u>	<u>1,246</u>

8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent HK\$39,819,000 (2000: HK\$44,659,000).

9. Dividends

	2001 HK\$'000	2000 HK\$'000
Interim dividend, paid, Nil (2000: 5 cents) per share	—	12,984
Special dividend, paid, of 10 cents (2000: Nil) per share	25,969	—
Final dividend, proposed, of 3 cents (2000: 8 cents) per share	7,790	20,775
	<u>33,759</u>	<u>33,759</u>

10. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$41,188,000 (2000: HK\$79,703,000) and 259,685,289 (2000: 259,685,289) shares in issue during the year.

11. Related party transactions

The following is a summary of significant related party transactions which, in the opinion of the Directors, were carried out in the normal course of the Group's business on terms no more favourable than terms available to independent third parties:

	Group	
	2001 HK\$'000	2000 HK\$'000
Purchase of properties from the Winsor Properties Holdings Limited ("WPHL") Group	35,626	71,000
Sale of properties to WPHL Group	75,000	—
Compensation charged to WPHL Group for vacating the properties sold	13,000	—
Rental and storage expenses paid to WPHL Group	5,232	4,567
Rental income charged to WPHL Group	1,623	1,685
Reimbursement of administrative expenses from WPHL Group	14,176	15,667
Reimbursement of administrative expenses from associated companies	484	—
Interest income charged to WPHL Group	—	3,655
Purchases from associated companies	13,989	15,936
Sales to associated companies	16,756	8,612
Purchases from jointly controlled entities	—	1,612
Contracting fee paid to jointly controlled entities	2,355	2,350

The Group and WPHL Group are considered to be related by virtue of the fact that certain Directors of the Company are also directors of WPHL.

Notes to the Accounts

12. Fixed assets

	Group				Company
	Land and buildings	Plant and machinery	Others	Total	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost or valuation					
At 1st April, 2000	241,512	110,166	44,500	396,178	237
Translation differences	135	161	9	305	—
Additions	40,268	3,796	10,915	54,979	1
Disposals	(73,731)	(4,167)	(11,238)	(89,136)	(20)
At 31st March, 2001	208,184	109,956	44,186	362,326	218
Accumulated depreciation					
At 1st April, 2000	54,359	56,738	25,058	136,155	174
Translation differences	18	74	1	93	—
Charge for the year	7,666	8,680	4,044	20,390	29
Disposals	(3,821)	(3,806)	(3,605)	(11,232)	(14)
At 31st March, 2001	58,222	61,686	25,498	145,406	189
Net book value					
At 31st March, 2001	149,962	48,270	18,688	216,920	29
At 31st March, 2000	187,153	53,428	19,442	260,023	63
Analysis of cost or valuation:					
At professional valuation in 1975 and earlier	15,098	—	—	15,098	—
At cost	193,086	109,956	44,186	347,228	218
	208,184	109,956	44,186	362,326	218

Net book value of land and buildings is analysed as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Held in Hong Kong:		
On long-term leases	28,375	29,469
On medium-term leases	39,870	75,254
Held outside Hong Kong:		
Freehold	5,520	5,842
On long-term leases	1,353	2,030
On medium-term leases	74,844	74,558
	149,962	187,153

Certain land and buildings were revalued on an open market value basis in 1975 and earlier by independent professional valuers and stated at valuation. Their aggregate net book value is HK\$8,142,000 (2000: HK\$8,325,000) but would have been HK\$2,358,000 (2000: HK\$2,479,000) had they been stated at cost less accumulated depreciation.

13. Subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares — at cost	249,742	249,742
Loans and amounts due from subsidiaries	<u>305,816</u>	<u>314,719</u>
	<u>555,558</u>	<u>564,461</u>

The loans and amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out on pages 33 to 34.

14. Associated companies

	Group	
	2001 HK\$'000	2000 HK\$'000
The Group's share of net assets	39,418	53,448
Loans and amounts due from associated companies	71,882	62,935
Loans and amounts due to associated companies	<u>(34,191)</u>	<u>(36,532)</u>
	<u>77,109</u>	<u>79,851</u>
Investments at cost — unlisted shares	<u>53,176</u>	<u>53,171</u>

Loans and amounts due from and due to associated companies are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal associated companies are set out on page 35.

15. Jointly controlled entities

	Group	
	2001 HK\$'000	2000 HK\$'000
The Group's share of net assets	136,976	136,533
Loans and amounts due from jointly controlled entities	<u>11,284</u>	<u>10,897</u>
	<u>148,260</u>	<u>147,430</u>
Investments at cost — unlisted shares	<u>174,142</u>	<u>174,142</u>

Loans and amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal jointly controlled entities are set out on page 35.

Notes to the Accounts

16. Investment securities

	Group	
	2001 HK\$'000	2000 HK\$'000
Unlisted equity investments — at cost	23,336	26,378
Loans due from unlisted equity investments	165,967	160,400
Provision	<u>(66,811)</u>	<u>(69,207)</u>
	<u>122,492</u>	<u>117,571</u>
Listed equity investments – at cost		
Listed in Hong Kong	61,072	70,506
Provision	<u>(6,730)</u>	<u>(5,028)</u>
	<u>54,342</u>	<u>65,478</u>
	<u>176,834</u>	<u>183,049</u>
Market value of listed equity investments	<u>344,226</u>	<u>286,587</u>

The loans due from unlisted equity investments are unsecured, interest free and have no fixed terms of repayment.

17. Inventories

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	70,933	86,370
Work in progress	16,881	31,915
Finished goods	6,411	11,505
Stores	<u>1,893</u>	<u>1,738</u>
	<u>96,118</u>	<u>131,528</u>

At 31st March, 2001 the carrying amount of inventories that are carried at net realisable value amounted to HK\$2,049,000 (2000: HK\$10,809,000).

18. Debtors and other receivables

- Included in debtors and other receivables is an amount of HK\$3,574,000 (2000: HK\$3,805,000) being shared administrative expenses receivable from WPHL Group.
- Also included in debtors and other receivables are trade debtors. The majority of the Group's sales are on terms of letters of credit at sight or documents against payment. Open accounts or longer credit terms are granted to a few customers with long business relationship and strong financial position. The ageing analysis of trade debtors is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current – 30 days	61,656	66,119
31 – 60 days	10,854	20,094
Over 60 days	<u>18,461</u>	<u>7,799</u>
	<u>90,971</u>	<u>94,012</u>

19. Other investments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Equity securities:		
Listed in Hong Kong	179	267
Listed outside Hong Kong	42,587	30,766
Managed funds	<u>29,292</u>	<u>55,150</u>
Market value	<u>72,058</u>	<u>86,183</u>

20. Creditors and accruals

Trade creditors are included under creditors and accruals. The ageing analysis of trade creditors is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current – 30 days	26,518	35,162
31 – 60 days	3,278	8,752
Over 60 days	<u>21,321</u>	<u>14,120</u>
	<u>51,117</u>	<u>58,034</u>

21. Bank loans and overdrafts

	Group	
	2001	2000
	HK\$'000	HK\$'000
Repayable on demand or within one year:		
Unsecured	<u>171,787</u>	<u>257,549</u>

Unsecured loans included an amount of HK\$Nil (2000: HK\$141,724,000) denominated in United States dollar.

22. Share capital

	Ordinary shares of HK\$0.50 each	
	No. of shares	HK\$'000
Authorised:		
At 31st March, 2000 and 2001	<u>300,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 31st March, 2000 and 2001	<u>259,685,289</u>	<u>129,843</u>

Notes to the Accounts

23. Reserves

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share premium				
At 31st March	<u>306,211</u>	<u>306,211</u>	<u>306,211</u>	<u>306,211</u>
Capital redemption reserve				
At 31st March	<u>775</u>	<u>775</u>	<u>775</u>	<u>775</u>
Land and buildings revaluation reserve				
At 1st April of the previous year	22,267	6,353	—	—
Realised on disposal by a subsidiary	—	(18)	—	—
Surplus on revaluation of land and buildings of an associated company	—	15,932	—	—
At 31st March	<u>22,267</u>	<u>22,267</u>	<u>—</u>	<u>—</u>
General reserve				
At 1st April of the previous year	13,082	13,082	—	—
Transfer to retained profits	(1,237)	—	—	—
At 31st March	<u>11,845</u>	<u>13,082</u>	<u>—</u>	<u>—</u>
Capital reserve				
At 31st March	<u>61,993</u>	<u>61,993</u>	<u>17,966</u>	<u>17,966</u>
Exchange fluctuation account				
At 1st April of the previous year	16,909	17,902	—	—
Arising on translation of accounts of subsidiaries and associated companies	(2,090)	1,821	—	—
Written off/(back) to retained profits	1,506	(2,814)	—	—
At 31st March	<u>16,325</u>	<u>16,909</u>	<u>—</u>	<u>—</u>
Retained profits				
At 1st April of the previous year	356,486	309,317	86,594	75,694
Profit for the year	41,188	79,703	39,819	44,659
Dividends	(33,759)	(33,759)	(33,759)	(33,759)
Net write back/(off) of goodwill on disposal/acquisition of:				
Subsidiaries	1,289	(478)	—	—
Associated companies	—	(1,111)	—	—
Transfer from general reserve	1,237	—	—	—
Write (off)/back of exchange fluctuation account	(1,506)	2,814	—	—
At 31st March	<u>364,935</u>	<u>356,486</u>	<u>92,654</u>	<u>86,594</u>
Total reserves	<u>784,351</u>	<u>777,723</u>	<u>417,606</u>	<u>411,546</u>

23. Reserves (continued)

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit for the year is retained by:		
The Company and its subsidiaries	20,523	44,325
Associated companies	(13,249)	4,523
Jointly controlled entities	155	(2,904)
	<u>7,429</u>	<u>45,944</u>
The Group's share of the undistributed post-acquisition reserves of associated companies comprises:		
Land and buildings revaluation reserve	15,932	15,932
Capital reserve	36,766	36,766
Exchange fluctuation account	15,682	14,621
Accumulated losses	(60,200)	(46,951)
	<u>8,180</u>	<u>20,368</u>
The Group's share of the undistributed post-acquisition reserves of jointly controlled entities comprises:		
Exchange fluctuation account	1,186	1,129
Accumulated losses	(12,000)	(12,155)
	<u>(10,814)</u>	<u>(11,026)</u>

Reserves available for distribution to shareholders by the Company (as calculated under the provisions of section 79B of the Companies Ordinance) as at 31st March, 2001 amounted to HK\$92,654,000 (2000: HK\$86,594,000).

24. Long term liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Provision for long service payments	<u>26,204</u>	<u>31,237</u>	<u>—</u>	<u>2,162</u>

Certain subsidiaries have been making provisions for long service payments. During the year an amount of HK\$184,000 (2000: HK\$4,319,000) (Note 3) has been provided and an amount of HK\$5,217,000 (2000: HK\$600,000) has been utilised. The provision at the balance sheet date is sufficient to cover the Group's potential obligations under the Employment Ordinance to make long service payments to eligible employees.

Notes to the Accounts

25. Deferred taxation

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st April of the previous year	1,074	543	7	7
Disposal of subsidiaries	—	(46)	—	—
Transfer (to)/from profit and loss account (<i>Note 7</i>)	(218)	577	(5)	—
At 31st March	<u>856</u>	<u>1,074</u>	<u>2</u>	<u>7</u>
Arising from:				
Accelerated depreciation allowances	1,392	1,201	2	7
Other timing differences	(536)	(127)	—	—
	<u>856</u>	<u>1,074</u>	<u>2</u>	<u>7</u>
The potential deferred tax asset which has not been accounted for amounts to:				
Provision for long service payments	589	650	—	—
Unrelieved tax losses	18,735	20,644	—	—
	<u>19,324</u>	<u>21,294</u>	<u>—</u>	<u>—</u>

Deferred taxation has not been provided on revalued assets because the revaluation does not constitute a timing difference.

26. Capital commitments

The Group and the Company did not have material capital commitments at 31st March, 2001 (*2000: nil*).

27. Lease commitments

	Group	
	2001 HK\$'000	2000 HK\$'000
Operating lease commitments at 31st March payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:		
Land and buildings		
— expiring in the first year	1,000	83
— expiring in the second to fifth years inclusive	2,496	2,680
	<u>3,496</u>	<u>2,763</u>

28. Contingent liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	14,405	44,373	—	—
Guarantees given in respect of banking facilities granted to:				
Subsidiaries	—	—	850,341	857,407
Associated companies	24,117	26,236	23,117	24,236
Other investments, in proportion to the Group's equity interests in such companies	25,300	25,264	14,038	14,018
	<u>63,822</u>	<u>95,873</u>	<u>887,496</u>	<u>895,661</u>

29. Notes to the consolidated cash flow statement

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

	2001 HK\$'000	2000 HK\$'000
Operating profit	43,323	78,386
Interest income	(17,097)	(20,145)
Interest expenses	17,278	21,681
Dividend income	(9,496)	(7,780)
Depreciation charges	20,390	20,964
Realisation of land and buildings revaluation reserve	—	(18)
(Profit)/loss on disposal of fixed assets	(7,525)	5,252
Loss/(profit) on disposal of subsidiaries	219	(808)
Net write off of reserves on disposal of subsidiaries	898	179
Profit on disposal of associated companies	—	(200)
Profit on disposal of jointly controlled entities	—	(3,649)
Loss on disposal of investment securities	2,252	1,434
(Write back of provision)/provision for diminution in value of investment securities	(693)	14,441
Net movement in provision for long service payments	(5,033)	3,719
Decrease in inventories	35,410	11,743
Decrease in debtors and other receivables	35,672	56,457
Decrease/(increase) in other investments	14,125	(21,467)
Decrease in creditors and accruals	(26,058)	(2,407)
Exchange translation differences	4,656	(5,899)
Net cash inflow from operating activities	<u>108,321</u>	<u>151,883</u>

(b) Purchase of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired		
Fixed assets	—	43
Inventories	—	2,500
Debtors and other receivables	—	11,352
Cash at bank and in hand	—	877
Creditors and accruals	—	(13,372)
Minority interests	559	(501)
	<u>559</u>	<u>899</u>
(Discount)/goodwill on purchase	(8)	237
	<u>551</u>	<u>1,136</u>
Satisfied by		
Cash	551	947
Transfer from investments in jointly controlled entities	—	189
	<u>551</u>	<u>1,136</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries		
Cash consideration	551	947
Cash at bank and in hand of the acquired subsidiaries	—	(877)
	<u>551</u>	<u>70</u>

Notes to the Accounts

29. Notes to the consolidated cash flow statement (Continued)

(c) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of		
Fixed assets	—	792
Inventories	—	324
Debtors and other receivables	1,420	7,849
Cash at bank and in hand	1,539	503
Creditors and accruals	(957)	(3,836)
Deferred taxation	—	(46)
Minority interests	436	(372)
	<u>2,438</u>	<u>5,214</u>
(Loss)/profit on disposal of subsidiaries	<u>(219)</u>	<u>808</u>
	<u>2,219</u>	<u>6,022</u>
Satisfied by		
Cash	2,219	3,229
Transfer to investments in associated companies	—	2,793
	<u>2,219</u>	<u>6,022</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash receipt	2,219	3,229
Cash at bank and in hand of the subsidiaries disposed of	(1,539)	(503)
Cash receipt in respect of disposal in previous year	—	11,940
	<u>680</u>	<u>14,666</u>

(d) Analysis of changes in financing during the year

	Minority interests		Bank loans	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st April of the previous year	2,401	5,199	52,101	109,353
Purchase of subsidiaries (Note 29b)	(559)	501	—	—
Disposal of subsidiaries (Note 29c)	436	(372)	—	—
Minority interests in share of profits	(240)	(2,942)	—	—
Translation difference	1	15	—	—
Cash inflow/(outflow) from financing	635	—	(10,101)	(57,252)
At 31st March	<u>2,674</u>	<u>2,401</u>	<u>42,000</u>	<u>52,101</u>

(e) Analysis of bank loans

	2001 HK\$'000	2000 HK\$'000
Bank loans and overdrafts (Note 21)	171,787	257,549
Less: Amount included under cash equivalents	(129,787)	(205,448)
	<u>42,000</u>	<u>52,101</u>

30. Ultimate holding company

The Directors regard Super-Rich Finance Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

31. Approval of accounts

The accounts set out on pages 12 to 35 were approved by the Board of Directors on 4th July, 2001.