

NOTES TO THE ACCOUNTS

31st March, 2001

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or registered/issued share capital or controls the composition of its board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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 charged or recognised in the consolidated profit and loss account.

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

Reserve on consolidation arising from the exchange of shares on group reorganisation represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof.

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) Jointly controlled entity

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Jointly controlled entity (continued)

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

(d) Intangible assets

Trademarks are stated at cost less accumulated amortisation. Amortisation of trademarks is calculated to write off their costs on a straight-line basis over a period of 15 years.

(e) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings are stated at cost less accumulated amortisation or depreciation and any provision required to reflect recoverable amount. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

(ii) Amortisation of leasehold land

Amortisation of leasehold land is calculated to write off its cost over the unexpired period of the lease on a straight-line basis. The principal annual rate used for this purpose is 2%.

(iii) Depreciation of leasehold buildings

Depreciation of leasehold buildings is calculated to write off their cost over the unexpired periods of the leases or their expected useful lives to the Group whichever is the shorter. The principal annual rate used for this purpose is 2%.

(iv) Leasehold improvements and other tangible fixed assets

Leasehold improvements and other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of leasehold improvements and other tangible fixed assets is calculated to write off their cost over their expected useful lives to the Group on a reducing balance basis. The principal annual rates are as follows:

Leasehold improvements	10-15%
Furniture and fixtures	10-15%
Machinery, equipment and tools	10-15%
Motor vehicles	10-15%
Office and computer equipment	10-33%

NOTES TO THE ACCOUNTS

31st March, 2001

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Fixed assets (continued)

(v) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(vi) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Expected future cash flows have not been discounted in determining the recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value of disposal. The amount of the reduction to recoverable amount is charged to the profit and loss account.

A subsequent increase in the recoverable amount of an asset carried at depreciated cost is written back to the profit and loss account when the circumstances and events that led to the write-down or write-off cease to exist. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

(vii) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(f) Assets under leases

(i) Finance leases

Leases or hire purchase contracts that substantially transfer to the group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities as obligations under finance leases. The finance charges are charged to the profit and loss account over the lease or hire purchase periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Assets under leases (continued)

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease term.

(g) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost calculated on the first-in, first-out basis, comprises direct materials, shipment costs and subcontracting expenses. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

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

(i) 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 recoverable in the foreseeable future.

(j) 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.

The accounts of subsidiaries and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves. Upon disposal of a foreign subsidiary, the related cumulative exchange difference is included in the profit and loss account as part of the gain or loss on disposal.

NOTES TO THE ACCOUNTS

31st March, 2001

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Retirement benefit costs

The Group continues to operate an occupational retirement scheme registered under the Hong Kong Occupational Retirement Scheme Ordinance. This scheme has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the MPF Ordinance”). Under the scheme, both the employers and employees are required to contribute an amount equal to 5% of the basic monthly salary on a monthly basis. The Group’s contributions to the scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

In December 2000, a mandatory provident fund scheme (“the MPF Scheme”) was also established under the MPF Ordinance. All staff were offered the choice of switching to the MPF Scheme or staying in the existing occupational retirement scheme. Where staff elected to join the MPF Scheme, both the Group and staff are required to contribute 5% (subject to an aggregate maximum of HK\$2,000 per month) of the employees’ relevant income. Contributions from the employer are 100% vested in the employees as soon as they are paid to the MPF Scheme.

Contributions for the above schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

(l) 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.

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

Income from sample sales is recognised when samples are approved by customers.

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

(m) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred unless borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

2. TURNOVER AND REVENUE

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments, developing software and providing technical support services for website development. Revenues recognised during the year are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Sales of garments	<u>514,357</u>	<u>480,713</u>
Other revenues		
Income from sample sales	766	803
Interest income	3,480	3,393
Dividend income from listed investments	–	25
	<u>4,246</u>	<u>4,221</u>
Total revenues	<u>518,603</u>	<u>484,934</u>

An analysis of the Group's turnover and contribution to operating (loss)/profit by principal activity and market is as follows:

	Turnover		Contribution to operating (loss)/profit	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Principal activities				
Sourcing, subcontracting, marketing and selling of outerwear garments	514,357	480,713	(52,473)	73,232
E-business	–	–	(2,219)	(4,266)
	<u>514,357</u>	<u>480,713</u>	<u>(54,692)</u>	<u>68,966</u>
Principal markets				
United States of America	473,395	401,895	(50,452)	57,294
Europe	27,404	42,051	(2,224)	6,654
Canada	8,477	22,178	(797)	2,716
Japan	19	8,242	(1)	1,369
Hong Kong	3,841	5,931	(1,098)	865
Others	1,221	416	(120)	68
	<u>514,357</u>	<u>480,713</u>	<u>(54,692)</u>	<u>68,966</u>

NOTES TO THE ACCOUNTS

31st March, 2001

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Net exchange gains	–	76
Net realised gain on disposal of other investments	–	1,902
Reversal of write-down of inventories	<u>879</u>	<u>–</u>
Charging		
Amortisation of trademarks	166	166
Auditors' remuneration	624	620
Depreciation		
Owned fixed assets	2,771	2,853
Leased fixed assets	258	262
Net exchange losses	215	–
Net loss on disposal of fixed assets	–	233
Operating leases		
Land and buildings	1,093	234
Hire of machinery and equipment	125	37
Provision for slow-moving inventories	<u>–</u>	<u>1,410</u>

4. STAFF COSTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	21,458	21,940
Retirement benefit costs	<u>319</u>	<u>512</u>
Total staff costs incurred	<u>21,777</u>	<u>22,452</u>

In prior year, basic salary, housing benefit and fee for directors of HK\$10,076,000 were included as staff costs. These directors' emoluments were excluded from the staff costs but included as part of directors' emoluments as stated in note 11 to conform to current year's presentation.

5. FINANCE COSTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	13,433	7,925
Interest element of finance leases		
wholly repayable within five years	101	128
Other incidental borrowing costs	27	8
Total borrowing costs incurred	<u>13,561</u>	<u>8,061</u>

6. TAXATION

(a) The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Current tax (<i>note 6(a)(i)</i>)	371	8,162
(Over)/under provision in previous years	(190)	1,982
Transfer from deferred taxation account (<i>note 6(b)</i>)	(186)	(342)
Overseas taxation		
Current tax (<i>note 6(a)(ii)</i>)	212	501
Under/(over) provision in previous years	55	(18)
	<u>262</u>	<u>10,285</u>

- (i) Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.
- (ii) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

NOTES TO THE ACCOUNTS

31st March, 2001

6. TAXATION (CONTINUED)

(b) The amount of deferred taxation represents:

	Group			
	2001		2000	
	Full potential liabilities/ (assets) <i>HK\$'000</i>	Amount recognised <i>HK\$'000</i>	Full potential liabilities/ (assets) <i>HK\$'000</i>	Amount recognised <i>HK\$'000</i>
Accelerated depreciation allowances	997	226	393	412
Tax losses	(6,082)	–	(221)	–
	<u>(5,085)</u>	<u>226</u>	<u>172</u>	<u>412</u>

A potential deferred tax asset, which represents mainly timing difference arising from tax losses for the current year, has not been recognised in the accounts as, in the opinion of the directors, it is uncertain that such asset will be realised in the foreseeable future. At 31st March, 2001, the potential deferred tax asset amounted to approximately HK\$6,082,000 (2000: HK\$221,000).

Movements in the provision for deferred taxation are as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At 1st April	412	754
Transfer to profit and loss account (<i>note 6(a)</i>)	(186)	(342)
At 31st March	<u>226</u>	<u>412</u>

7. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$31,643,000 (2000: profit of HK\$47,224,000).

8. DIVIDENDS

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim, paid, of nil cent (2000: 1.0 cent) per ordinary share	–	3,603
Final, proposed, of nil cent (2000: 11.0 cents) per ordinary share	–	41,206
	<u>–</u>	<u>44,809</u>

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$69,836,000 (2000: profit of HK\$50,425,000).

The basic (loss)/earnings per share is based on the weighted average number of 384,743,014 (2000: 363,529,372) ordinary shares in issue during the year. Diluted loss per share for the year ended 31st March, 2001 is not shown as there is no dilution arising from the outstanding share options in issue during the year ended 31st March, 2001. The diluted earnings per share for the year ended 31st March, 2000 is based on 363,529,372 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 23,988,032 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

10. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the profit and loss account represent gross contributions payable by the Group to the retirement scheme of HK\$744,000 (2000: HK\$701,000) less forfeited contributions utilised of HK\$391,000 (2000: HK\$189,000). No contributions were payable to the scheme at the year end. As at 31st March, 2001, there is unutilised forfeited contributions of HK\$154,000 (2000: HK\$14,000).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	360	360
Other emoluments		
Share options exercised	9,844	15,105
Basic salaries and housing benefits	9,761	9,716
Contributions to defined contributions scheme	34	–
	<u>19,999</u>	<u>25,181</u>

Directors' fees disclosed above represent amount paid to the independent non-executive directors.

On 15th April, 1998, the Company granted options to four of its directors under its share option scheme approved by its shareholders on 23rd September, 1997 to acquire a total of 35,650,000 ordinary shares of par value of HK\$0.10 per share at an exercise price of HK\$0.30 per share.

NOTES TO THE ACCOUNTS

31st March, 2001

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' remuneration (continued)

During the year, all these directors exercised their outstanding options to subscribe for a total of 21,400,000 ordinary shares in the Company at an exercise price of HK\$0.30 per share. The closing market price of the Company's shares at the exercise date was HK\$0.76.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$7,500,001 – HK\$8,000,000	1	1
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$9,000,001 – HK\$9,500,000	–	1
	6	6

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2000: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2000: one) individual during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Basic salaries	576	621
Bonuses	110	–
Pensions	27	–
Compensation for loss of office		
Contractual payments	–	738
Others	–	246
	713	1,605

12. INTANGIBLE ASSETS

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trademarks		
Cost		
At 1st April	2,499	2,481
Additions	–	13
Exchange difference	(4)	5
At 31st March	<u>2,495</u>	<u>2,499</u>
Accumulated amortisation		
At 1st April	1,341	1,171
Amortisation for the year	166	166
Exchange difference	(2)	4
At 31st March	<u>1,505</u>	<u>1,341</u>
Net book value at 31st March	<u>990</u>	<u>1,158</u>

NOTES TO THE ACCOUNTS

31st March, 2001

13. FIXED ASSETS

	Group						Total HK\$'000
	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery, equipment and tools HK\$'000	Motor vehicles HK\$'000	Office and computer equipment HK\$'000	
Cost							
At 1st April, 2000	68,500	2,589	4,129	321	3,389	9,111	88,039
Additions	–	251	521	–	–	849	1,621
Disposals	–	–	–	–	–	(46)	(46)
At 31st March, 2001	<u>68,500</u>	<u>2,840</u>	<u>4,650</u>	<u>321</u>	<u>3,389</u>	<u>9,914</u>	<u>89,614</u>
Accumulated depreciation							
At 1st April, 2000	4,110	1,277	2,856	173	1,429	5,977	15,822
Charge for the year	1,370	204	211	22	294	928	3,029
Disposals	–	–	–	–	–	(27)	(27)
	<u>5,480</u>	<u>1,481</u>	<u>3,067</u>	<u>195</u>	<u>1,723</u>	<u>6,878</u>	<u>18,824</u>
Impairment loss	35,620	–	–	–	–	–	35,620
At 31st March, 2001	<u>41,100</u>	<u>1,481</u>	<u>3,067</u>	<u>195</u>	<u>1,723</u>	<u>6,878</u>	<u>54,444</u>
Net book value							
At 31st March, 2001	<u><u>27,400</u></u>	<u><u>1,359</u></u>	<u><u>1,583</u></u>	<u><u>126</u></u>	<u><u>1,666</u></u>	<u><u>3,036</u></u>	<u><u>35,170</u></u>
At 31st March, 2000	<u><u>64,390</u></u>	<u><u>1,312</u></u>	<u><u>1,273</u></u>	<u><u>148</u></u>	<u><u>1,960</u></u>	<u><u>3,134</u></u>	<u><u>72,217</u></u>

- (a) As at 31st March, 2001 and 2000, all of the leasehold land and buildings are situated in Hong Kong, held on leases of between 10 to 50 years, and for the Group's own use.
- (b) As at 31st March, 2001 and 2000, the leasehold land and buildings were charged to a bank to secure banking facilities granted to the Group (*note 23*).
- (c) As at 31st March, 2001, the net book value of fixed assets held by the Group under finance lease amounted to HK\$1,461,000 (2000: HK\$1,626,000).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	68,725	68,725
Amount due from a subsidiary (note 14(b))	89,955	120,645
	<u>158,680</u>	<u>189,370</u>
Less: provision for diminution in value	(31,651)	–
	<u>127,029</u>	<u>189,370</u>

- (a) Particulars of the Company's subsidiaries are set out in note 27 to the accounts.
- (b) The amount due from a subsidiary is unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.
- (c) The Group is required to contribute HK\$1,170,000 (equivalent to US\$150,000) as registered capital for a newly incorporated subsidiary, Beijing Takson On-Line Technology Company Limited, before 6th September, 2001 (note 25(a)). On 4th June, 2001, HK\$234,000 (equivalent to US\$30,000) was injected by the Group to that subsidiary.

15. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	12,825	14,104
Advance to a jointly controlled entity (note 15(b))	1,179	972
	<u>14,004</u>	<u>15,076</u>

As at 31st March, 2001, the Group had interest in the following jointly controlled entity:

Name	Place of establishment	Principal activities and place of operation	Particulars of registered capital	Attributable equity interest
Cyber Culture Company Limited	People's Republic of China ("PRC")	Inactive (note 15(a))	Registered capital RMB30,000,000 (paid up capital of RMB15,000,000) (note 15(a))	50% (note 15(a))

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15. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

- (a) Cyber Culture Company Limited ("Cyber Culture") is a 50:50 Sino-foreign equity joint venture enterprise. Each joint venture partner would be responsible for a capital contribution of RMB15,000,000 (HK\$14,150,000). The Group has contributed RMB15,000,000 (HK\$14,150,000) while the PRC joint venture partner has not made any capital contribution.

On 2nd January 2001, the Group and the PRC joint venture partner entered into an agreement for the dissolution of Cyber Culture. Pursuant to the dissolution agreement, the Group would be entitled to all the remaining net assets of Cyber Culture, after deducting the related dissolution expenses, upon the completion of the liquidation. The PRC joint venture partner is no longer required to contribute the unpaid registered capital nor reimburse the losses incurred by Cyber Culture. Hence, all accumulated and current year losses incurred by Cyber Culture have been wholly taken up by the Group.

The directors are of the view that the assets realised upon the completion of liquidation of Cyber Culture would not be materially different from the Group's carrying cost of interest in Cyber Culture as stated above.

- (b) Advance to a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

16. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	15,221	62,183
Work in progress	2,329	10,659
Finished goods	1,568	1,304
	<u>19,118</u>	<u>74,146</u>

As at 31st March, 2001, the inventories are stated at cost less provision of HK\$19,718,000 (2000: HK\$4,009,000).

17. TRADE RECEIVABLES

(a) At 31st March, 2001, the ageing analysis of the trade receivables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	7,588	1,395
1 to 3 months	1,503	15,247
4 to 6 months	63	3,389
7 to 9 months	145	1
10 to 12 months	3	18
Over 1 year	229	1,188
	<u>9,531</u>	<u>21,238</u>
Less: Provision for doubtful debts	(66)	(66)
	<u>9,465</u>	<u>21,172</u>

The majority of the Group's sales are on letter of credit. The remaining sales which were not covered by letter of credit are with credit terms of 30 days.

(b) As at 31st March, 2001, trade receivables included amounts totalling HK\$6,662,000 (2000: HK\$Nil) which were factored to a bank in the ordinary course of business and the recourse element of the proceeds is included as trust receipt and export packing loans under current liabilities.

18. TRADE PAYABLES

At 31st March, 2001, the ageing analysis of trade payables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	239	3,672
1 to 3 months	530	1,186
4 to 6 months	422	725
7 to 9 months	245	172
Over 1 year	653	819
	<u>2,089</u>	<u>6,574</u>

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19. SHARE CAPITAL

	Company Ordinary share of HK\$0.1 each			
	2001		2000	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
At 31st March 1999, 31st March, 2000 and 31st March, 2001	<u>1,000,000,000</u>	<u>100,000</u>	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1st April	374,600,000	37,460	360,000,000	36,000
Issue of shares upon exercise of share options (note 19(a))	<u>21,400,000</u>	<u>2,140</u>	<u>14,600,000</u>	<u>1,460</u>
At 31st March	<u>396,000,000</u>	<u>39,600</u>	<u>374,600,000</u>	<u>37,460</u>

- (a) On 23rd September, 1997, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, invite employees and directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. On 15th April, 1998, options were granted to certain directors and employees to acquire a total of 36,000,000 ordinary shares at an exercise price of HK\$0.30 each. The options are exercisable from 15th October, 1998 up to 14th October, 2000.

During the year, a total of 21,400,000 (2000: 14,600,000) shares were issued at HK\$0.30 per share upon the exercise of share options granted by the Company to the directors pursuant to the share option scheme of the Company.

The details of the share options exercised during the year are as follows:

	Number of share options	
	2001	2000
Outstanding at 1st April	21,400,000	36,000,000
Exercised during the year	<u>(21,400,000)</u>	<u>(14,600,000)</u>
Outstanding at 31st March	<u>–</u>	<u>21,400,000</u>

20. RESERVES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share premium				
At 1st April	41,742	38,822	41,742	38,822
Premium on exercise of share options	4,280	2,920	4,280	2,920
At 31st March	46,022	41,742	46,022	41,742
Contributed surplus (note 20(a))				
At 1st April and 31st March	–	–	67,992	67,992
Exchange fluctuation reserve				
At 1st April	46	126	–	–
Exchange gains arising on translation of accounts of overseas subsidiaries and a jointly controlled entity	49	32	–	–
Exchange reserve realised in the profit and loss account upon liquidation of a subsidiary	–	(112)	–	–
At 31st March	95	46	–	–
Reserve on consolidation				
At 1st April and 31st March	3,214	3,214	–	–
Retained profits/(accumulated loss)				
At 1st April	84,438	78,822	5,058	2,643
(Loss)/profit attributable to shareholders	(69,836)	50,425	(31,643)	47,224
Dividends (note 8)	–	(44,809)	–	(44,809)
At 31st March	14,602	84,438	(26,585)	5,058
Total reserves	63,933	129,440	87,429	114,792

NOTES TO THE ACCOUNTS

31st March, 2001

20. RESERVES (CONTINUED)

- (a) The contributed surplus at 31st March, 2001, and 31st March, 2000 of HK\$ 67,992,000 represents the excess of the consolidated net asset value of Takson (B.V.I.) Limited on its merger with the Company over the nominal value of the Company's shares issued in the exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a company may declare or pay dividends, or make distributions out of contributed surplus, unless there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (b) Included in the Group's retained profits was accumulated losses of HK\$1,516,000 (2000: HK\$195,000) attributable to a jointly controlled entity.

21. LONG-TERM LIABILITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans – secured (<i>note 21(a) and (b)</i>)	35,000	–
Obligations under finance leases wholly repayable within five years (<i>note 21(a)</i>)	902	1,272
Deferred taxation (<i>note 6(b)</i>)	226	412
	<u>36,128</u>	<u>1,684</u>
Less : Current portion of long-term liabilities	<u>(16,432)</u>	<u>(417)</u>
	<u>19,696</u>	<u>1,267</u>

- (a) At 31st March, 2001 and 2000, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group			
	Secured bank loans		Obligations under finance leases	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	16,042	–	390	417
In the second year	17,500	–	390	417
In the third to fifth year inclusive	1,458	–	122	438
	<u>35,000</u>	<u>–</u>	<u>902</u>	<u>1,272</u>

21. LONG-TERM LIABILITIES (CONTINUED)

- (b) In March 2001, the creditor bank agreed to convert the short-term bank loan of HK\$35,000,000 into an instalment loan, repayable by 24 monthly instalments commencing on 2nd May, 2001. The instalment loan is secured by the leasehold land and buildings of the Group (note 23). In the consolidated balance sheet, the short-term bank loan has accordingly been reclassified according to the repayment terms of the instalment loan.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

	Group	
	2001	2000
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(69,574)	60,710
Amortisation of trademarks	166	166
Depreciation of owned fixed assets	2,771	2,853
Depreciation of fixed assets held under finance leases	258	262
Net (gain)/loss on disposal of fixed assets	(5)	233
Net realised gain on disposal of other investments	–	(1,902)
Impairment loss on leasehold land and buildings	35,620	–
Provisions for		
– loss on down materials	16,588	–
– loss on textile quota	18,756	–
Dividend income	–	(25)
Interest income	(3,480)	(3,393)
Interest on bank loans, overdrafts and other incidental borrowing costs	13,460	7,933
Interest element of finance leases	101	128
Share of loss of a jointly controlled entity	1,321	195
Decrease/(increase) in inventories	38,440	(7,541)
Increase in trade and other receivables, textile quota deposits and prepayments	(29,505)	(17,865)
Decrease in trade payables, bills payable and accrued charges	(4,439)	(2,506)
Effect of foreign exchange rate changes	9	(92)
Net cash inflow from operating activities	<u>20,487</u>	<u>39,156</u>

NOTES TO THE ACCOUNTS

31st March, 2001

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing during the year

	Group					
	Share capital including share premium		Bank loans		Finance leases	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at 1st April	79,202	74,822	57,373	26,753	1,272	612
Inception of finance leases	-	-	-	-	92	1,500
Exercise of share options	6,420	4,380	-	-	-	-
Cash inflow/(outflow) from financing	-	-	2,234	30,620	(462)	(840)
Balance at 31st March	<u>85,622</u>	<u>79,202</u>	<u>59,607</u>	<u>57,373</u>	<u>902</u>	<u>1,272</u>

(c) Analysis of the balances of cash and cash equivalents

	Group	
	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	18,239	59,939
Bank overdrafts – secured	(3,909)	(4,762)
Trust receipt and export packing loans	(30,690)	(40,703)
Bank loans – secured	(35,000)	(35,000)
Less: Trust receipt, export packing and other bank loans repayable more than three months from the date of advance	59,607	57,373
	<u>8,247</u>	<u>36,847</u>

(d) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK\$92,000 (2000: HK\$1,500,000).

23. BANKING FACILITIES

As at 31st March, 2001, the Group's banking facilities amounting to HK\$324,110,000 (2000: HK\$315,875,000) were secured by the following:

- (a) charges on bank deposits of the Group amounting to HK\$24,650,000 (2000: HK\$27,737,000);
- (b) first legal charge over properties held by a subsidiary with an aggregate carrying value of HK\$27,400,000 (2000: HK\$64,390,000) (note 13); and
- (c) corporate guarantees from the Company and certain subsidiaries of the Group.

24. CONTINGENT LIABILITIES

- (a) The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2001 amounted to HK\$69,006,000 (2000: HK\$79,964,000).
- (b) As at 31st March, 2001, the Group had no bills of exchange discounted with banks (2000: HK\$4,095,000).

25. COMMITMENTS

(a) Capital commitments

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for in respect of		
– fixed assets	1,099	–
– capital injection to a subsidiary (note 14(c))	1,170	–
– capital injection to a jointly controlled entity (note 15)	–	56,659
	<u>2,269</u>	<u>56,659</u>

(b) Commitments under operating leases

As at 31st March, 2001, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group			
	2001		2000	
	Land and buildings	Others	Land and buildings	Others
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>1,895</u>	<u>14</u>	<u>753</u>	<u>14</u>

NOTES TO THE ACCOUNTS

31st March, 2001

26. ULTIMATE HOLDING COMPANY

The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

27. PARTICULARS OF SUBSIDIARIES

The following is a list of the subsidiaries of the Company at 31st March, 2001:

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued share capital/ registered capital	Attributable equity interest
Interest held directly				
B2B Garment Limited*	British Virgin Islands	Inactive	1 ordinary share of US\$1	100%
Reunification Holdings Limited	British Virgin Islands	Inactive	1 ordinary share of US\$1	100%
Takson (B.V.I.) Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US\$1 each	100%
Takson On-Line Limited*	British Virgin Islands	Investment holding and provision of technical support for website development	1 ordinary share of US\$1	100%
Takson Technology Limited*	British Virgin Islands	Investment holding	1,000 ordinary shares of US\$1 each	100%
Interest held indirectly				
Beijing Takson On-Line Technology Company Limited*	PRC	Software development	Registered capital US\$150,000 (Paid up capital of US\$ Nil (note 14(c)))	100%
Cyber Max Technology Limited	Hong Kong	Provision of consultancy service to a group company	2 ordinary shares of HK\$1 each	100%

27. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued share capital/ registered capital	Attributable equity interest
Fan Shing Trading Company Limited	Hong Kong	Trading of outerwear garments supplied by a group company	500 ordinary shares of HK\$1,000 each	100%
Powderhorn Establishment Limited*	Liechtenstein	Holding of trademarks	Swiss Franc 30,000	100%
Takson Down Manufacturing Company Limited	Hong Kong	Inactive	100 ordinary shares of HK\$10,000 each	100%
Takson Down Manufacturing, Inc.*	United States of America	Trading of outerwear garments supplied by a group company	200,000 ordinary shares of US\$1 each	100%
Takson Garment Manufacturing (Malaysia) Limited	Labuan, Malaysia	Sourcing and sales of outerwear garments in the PRC	1 ordinary share of US\$1	100%
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of outerwear garments	20 ordinary shares of HK\$10,000 each	100%
Takson Garment Services Limited	British Virgin Islands	Contracting agency in the PRC	10 ordinary shares of US\$1 each	100%
Takson Properties Limited	British Virgin Islands	Property holding in Hong Kong	1 ordinary share of US\$1	100%

* Subsidiaries not audited by PricewaterhouseCoopers. The financial impact of subsidiaries not audited by PricewaterhouseCoopers was not material to the Group.

28. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 24th July, 2001.