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 in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and trading securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new/revised standards is set out in the accounting policies below.

(b) 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.

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 or exchange differences which was not previously charged or recognised in the consolidated profit and loss account.

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 for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1. Principal Accounting Policies *(continued)*

(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.

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 and accumulated impairment losses. 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) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the consolidated profit and loss account. Any subsequent increases are credited to the consolidated profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised, if any, in respect of previous valuations is released from the investment properties revaluation reserve to the consolidated profit and loss account.

(ii) Leasehold land and buildings

Leasehold land and buildings are stated at cost less accumulated amortisation or depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

(iii) 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%.

1. Principal Accounting Policies *(continued)*

(e) Fixed assets *(continued)*

(iv) 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 shorter. The principal annual rate used for this purpose is 2%.

(v) Leasehold improvements and other tangible fixed assets

Leasehold improvements and other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. 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%

(vi) Impairment of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(vii) Gain or loss on disposal of fixed assets

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

(viii) Cost of restoring and improving fixed assets

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

1. Principal Accounting Policies *(continued)*

(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 of return 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 consolidated 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.

(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 consolidated profit and loss account on a straight-line basis over the lease term.

In accordance with SSAP 14 (revised), the Group is required to disclose the aggregate future minimum lease payments, analysed into the periods on which the payment is to be made. This is a change from previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires. Comparative information has also been restated to conform to the new disclosure requirement.

(g) Trading securities

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

(h) 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 weighted average basis, comprises direct materials, shipment costs and subcontracting expenses. In prior years, the cost of inventories was determined on a first-in, first-out basis. On 1st April, 2001, the directors adopted the weighted average basis for inventory cost determination as they considered that it would be more appropriate to the Group's circumstances. This basis has been applied prospectively as this change in costing method does not have a material impact on the state of affairs of the Group or its results for the years ended 31st March, 2001 and 2002.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1. Principal Accounting Policies *(continued)*

(i) 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.

(j) 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.

(k) 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 consolidated 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, the related cumulative exchange difference is included in the consolidated profit and loss account as part of the gain or loss on disposal.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdrafts, trust receipt and other bank loans repayable less than three months from the date of advance.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

1. Principal Accounting Policies *(continued)*

(o) Retirement benefit costs

The Group continues to operate an occupational retirement scheme which has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes 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.

Besides, the Group continues to operate a mandatory provident fund scheme ("the MPF Scheme") under which 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 consolidated 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.

(p) Borrowing costs

All borrowing costs are charged to the consolidated 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.

(q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude trading securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets *(note 13)*.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. The assets and capital expenditure are where the assets are located.

(r) 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.

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.

1. Principal Accounting Policies *(continued)*

(s) Dividends

In accordance with SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in note 22, this change has resulted in an increase in opening retained profits at 1st April, 2001 by HK$nil (1st April, 2000: HK$41,206,000) which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31st March, 2000 although not declared until after the balance sheet date.

2. Turnover, Revenue and Segment Information

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and providing technical support services for website development during the year. In October, 2001, the Group terminated the services for the provision of technical support for website development and since then this activity is no longer a principal operation of the Group.

	2002	2001
	HK$'000	*HK$'000*
Turnover		
Sales of garments	**238,564**	514,357
Other revenues		
Income from sample sales	**77**	766
Interest income	**680**	3,480
Rental income	**1,162**	–
	1,919	4,246
Total revenues	**240,483**	518,603

2. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format – business segments

	Year ended 31st March, 2002 HK$'000			
	Sales of outerwear garments	E-business	Other operations	Total
Turnover	238,564	–	–	**238,564**
Segment operating loss	(27,450)	(2,722)	(440)	**(30,612)**
Interest income	678	–	2	**680**
Unallocated costs				**(114)**
Operating loss				**(30,046)**
Finance costs				**(4,469)**
Share of profit of a jointly controlled entity				**150**
Loss before taxation				**(34,365)**
Taxation credit				**473**
Loss attributable to shareholders				**(33,892)**
Segment assets	85,370	–	27,799	**113,169**
Unallocated assets				**2,146**
Total assets				**115,315**
Segment liabilities	24,390	–	556	**24,946**
Unallocated liabilities				**25,430**
Total liabilities				**50,376**
Capital expenditure	3,980	57	91	**4,128**
Depreciation	1,552	9	428	**1,989**
Amortisation charge	166	–	–	**166**
Impairment charge	–	–	–	**–**
Other significant non-cash expenses other than depreciation and amortisation	18,896	–	–	**18,896**

2. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format – business segments *(continued)*

	Year ended 31st March, 2001 HK$'000			
	Sales of outerwear garments	E-business	Other operations	Total
Turnover	514,357	–	–	514,357
Segment operating loss	(18,470)	(2,305)	(37,189)	(57,964)
Interest income	3,157	323	–	3,480
Unallocated costs				(208)
Operating loss				(54,692)
Finance costs				(13,561)
Share of loss of a jointly controlled entity	–	(1,321)	–	(1,321)
Loss before taxation				(69,574)
Taxation charge				(262)
Loss attributable to shareholders				(69,836)
Segment assets	143,690	233	28,279	172,202
Investment in a jointly controlled entity				14,004
Unallocated assets				77
Total assets				186,283
Segment liabilities	45,969	667	301	46,937
Unallocated liabilities				35,813
Total liabilities				82,750
Capital expenditure	1,517	104	–	1,621
Depreciation	1,625	34	1,370	3,029
Amortisation charge	166	–	–	166
Impairment charge	–	–	35,620	35,620
Other significant non-cash expenses other than depreciation and amortisation	35,344	–	–	35,344

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

2. Turnover, Revenue and Segment Information *(continued)*

Secondary reporting format – geographical segments

Year ended 31st March, 2002
HK$'000

	Turnover	Segment operating profit/(loss)	Total assets	Capital expenditure
United States of America	200,242	(25,681)	12,245	–
Europe	17,439	(1,778)	–	–
Canada	16,116	(1,140)	–	–
Hong Kong	961	(1,823)	97,280	1,585
Others	3,806	(190)	5,790	2,543
	238,564	(30,612)	115,315	4,128
Interest income		680		
Unallocated costs		(114)		
Operating loss		(30,046)		

Year ended 31st March, 2001
HK$'000

	Turnover	Segment operating profit/(loss)	Total assets	Capital expenditure
United States of America	473,395	(23,064)	8,772	–
Europe	27,404	815	–	–
Canada	8,477	292	–	–
Hong Kong	3,841	(36,052)	143,110	569
Others	1,240	45	20,397	1,052
	514,357	(57,964)	172,279	1,621
Interest income		3,480		
Unallocated costs		(208)		
Operating loss		(54,692)		
Investment in a jointly controlled entity			14,004	
Total assets			186,283	

There are no sales between the geographical segments.

3. Operating Loss

Operating loss is stated after crediting and charging the following:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Crediting		
Reversal of write-down of inventories	**–**	879
Charging		
Amortisation of trademarks	**166**	166
Auditors' remuneration	**608**	624
Depreciation		
Owned fixed assets	**1,956**	2,771
Leased fixed assets	**33**	258
Net exchange losses	**7**	215
Net loss on disposal of fixed assets	**224**	–
Operating leases		
Land and buildings	**2,063**	1,093
Hire of machinery and equipment	**116**	125
Outgoings in respect of investment properties	**124**	–
Write-off of/provision for bad and doubtful debts	**1,726**	–
Provision for write-down of inventories	**117**	–
Revaluation deficit on investment properties	**304**	–
Unrealised losses on trading securities	**534**	–

4. Staff Costs

	Group	
	2002	2001
	HK$'000	*HK$'000*
Wages and salaries	**12,809**	20,009
Redundancy costs	**–**	1,449
Retirement benefit costs	**329**	319
Total staff costs, excluding directors' emoluments	**13,138**	21,777

5. Write-off of/provision for textile quota deposits

The write-off of textile quota deposits for the current year of HK$18,896,000 was related to quota categories which could not be utilised before the expiry date. The provision for loss on textile quota deposits made in the previous year of HK$18,756,000 was related to the quota categories which were at that time estimated not to be utilised before the expiry date.

6. Finance Costs

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**4,224**	13,433
Interest element of finance leases wholly repayable within five years	**181**	101
Other incidental borrowing costs	**64**	27
Total borrowing costs incurred	**4,469**	13,561

7. Taxation Credit/(Charge)

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current tax *(note 7(a)(i))*	**(12)**	(371)
Over provision in previous years	**370**	190
Transfer from deferred taxation account *(note 7(b))*	**85**	186
Overseas taxation		
Current tax *(note 7 (a)(ii))*	**(40)**	(212)
Over/(under) provision in previous years	**70**	(55)
	473	(262)

(i) Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

7. Taxation Credit/(Charge) *(continued)*

(b) The amount of deferred taxation represents:

	Group			
	2002		2001	
	Full potential assets	**Amount recognised**	Full potential (liabilities)/ assets	Amount recognised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Accelerated depreciation allowances	**243**	**(141)**	(997)	(226)
Tax losses	**6,116**	**–**	6,082	–
	6,359	**(141)**	5,085	(226)

A potential deferred tax asset, which represents mainly timing difference arising from tax losses to be carried forward, 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, 2002, the potential deferred tax asset amounted to approximately HK$6,116,000 (2001: HK$6,082,000).

Movements in the provision for deferred taxation are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
At 1st April	**226**	412
Transfer to profit and loss account *(note 7(a))*	**(85)**	(186)
At 31st March	**141**	226

8. Loss Attributable to Shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$10,749,000 (2001: loss of HK$31,643,000).

9. Loss Per Share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$33,892,000 (2001: loss of HK$69,836,000).

The basic loss per share is based on the weighted average number of 392,924,658 (2001: 384,743,014) ordinary shares in issue during the year. No diluted loss per share is presented for the years ended 31st March, 2002 and 2001 as there is no dilutive potential ordinary share for the year ended 31st March, 2002 and the exercise of share options has an anti-dilutive effect for the year ended 31st March, 2001.

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$524,000 (2001: HK$744,000) less forfeited contributions utilised of HK$114,000 (2001: HK$391,000). Contributions of HK$81,000 (2001: HK$nil) were payable to the scheme at the year end and are included in current liabilities under bills payable and accrued charges. As at 31st March, 2002, there were unutilised forfeited contributions of HK$12,000 (2001: HK$154,000).

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:

	2002	2001
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments		
Share options exercised	**–**	9,844
Basic salaries and housing benefits	**8,949**	9,761
Contributions to defined contributions scheme	**81**	34
	9,390	19,999

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

The emoluments of the directors fell within the following bands:

	Number of directors	
	2002	2001
Emolument bands		
HK$Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	1
HK$3,500,001 – HK$4,000,000	**2**	–
HK$7,500,001 – HK$8,000,000	**–**	1
HK$8,500,001 – HK$9,000,000	**–**	1
	5	6

11. Directors' and Senior Management's Emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: one) individuals (each of them earned less than HK$1,000,000) during the year are as follows:

	2002	2001
	HK$'000	*HK$'000*
Basic salaries	**1,220**	576
Bonuses	**163**	110
Pensions	**44**	27
	1,427	713

12. Intangible Assets

	Group	
	2002	2001
	HK$'000	*HK$'000*
Trademarks		
Cost		
At 1st April	**2,495**	2,499
Exchange difference	**4**	(4)
At 31st March	**2,499**	2,495
Accumulated amortisation		
At 1st April	**1,505**	1,341
Amortisation for the year	**166**	166
Exchange difference	**3**	(2)
At 31st March	**1,674**	1,505
Net book value at 31st March	**825**	990

13. Fixed Assets

	Investment properties	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Machinery, equipment and tools	Motor vehicles	Office and computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation								
At 1st April, 2001	–	68,500	2,840	4,650	321	3,389	9,914	89,614
Additions	–	2,265	162	123	–	1,194	384	4,128
Transfers	30,182	(30,182)	–	–	–	–	–	–
Revaluation	(18,682)	–	–	–	–	–	–	(18,682)
Disposals	–	–	(280)	(136)	(1)	–	(492)	(909)
At 31st March, 2002	11,500	40,583	2,722	4,637	320	4,583	9,806	74,151
At cost	–	40,583	2,722	4,637	320	4,583	9,806	62,651
At valuation	11,500	–	–	–	–	–	–	11,500
	11,500	40,583	2,722	4,637	320	4,583	9,806	74,151
Accumulated depreciation and impairment								
At 1st April, 2001	–	41,100	1,481	3,067	195	1,723	6,878	54,444
Charge for the year	–	419	209	259	19	265	818	1,989
Transfers	18,378	(18,378)	–	–	–	–	–	–
Revaluation	(18,378)	–	–	–	–	–	–	(18,378)
Disposals	–	–	(153)	(106)	(1)	–	(414)	(674)
At 31st March, 2002	–	23,141	1,537	3,220	213	1,988	7,282	37,381
Net book value								
At 31st March, 2002	**11,500**	**17,442**	**1,185**	**1,417**	**107**	**2,595**	**2,524**	**36,770**
At 31st March, 2001	–	27,400	1,359	1,583	126	1,666	3,036	35,170

13. Fixed Assets *(continued)*

(a) The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	**26,681**	27,400
Outside Hong Kong, held on:		
Leases of over 50 years	**2,261**	–
	28,942	27,400

(b) Investment properties were revalued as at 31st March, 2002 on the basis of their open market value by Landscope Surveyors Limited, an independent firm of chartered surveyors.

(c) As at 31st March, 2002 and 2001, the investment properties and leasehold land and buildings in Hong Kong were charged to a bank to secure banking facilities granted to the Group *(note 25)*.

(d) As at 31st March, 2002, the net book value of fixed assets held by the Group under finance lease amounted to HK$1,279,000 (2001:HK$1,461,000).

14. Investments in Subsidiaries

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**68,725**	68,725
Amounts due from subsidiaries *(note 14(b))*	**83,068**	89,955
	151,793	158,680
Less: Provision for diminution in value	**(41,858)**	(31,651)
	109,935	127,029

(a) Particulars of the Company's principal subsidiaries are set out in note 30 to the accounts.

(b) The amounts due from subsidiaries are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

14. Investments in Subsidiaries *(continued)*

(c) The Group is required to contribute HK$1,560,000 (equivalent to US$200,000) to a newly incorporated subsidiary, Shanghai Global Sportswear Inc. as its registered capital on or before 15th November, 2002 *(note 27(a))*. As at 31st March, 2002, HK$234,000 (equivalent to US$30,000) has been injected by the Group to that subsidiary.

15. Investment in a Jointly Controlled Entity

	Group	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	**–**	12,825
Advance to a jointly controlled entity	**–**	1,179
	–	14,004

As at 31st March, 2001, the investment in a jointly controlled entity represented investment in Cyber Culture Company Limited ("Cyber Culture"), a 50:50 Sino-foreign equity joint venture enterprise. On 2nd January, 2001, the Group and the joint venture partner in the People's Republic of China ("PRC") entered into an agreement for the dissolution of Cyber Culture.

In January, 2002, the liquidation of Cyber Culture was completed. The remaining assets have been wholly returned to the Group.

16. Inventories

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**5,674**	15,221
Work in progress	**2,186**	2,329
Finished goods	**6,398**	1,568
	14,258	19,118

At 31st March, 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK$4,167,000 (2001: HK$nil). The inventories are stated after a provision of HK$2,050,000 (2001: HK$19,718,000 of which HK$16,588,000 was written off during the year ended 31st March, 2002).

17. Trade Receivables

(a) At 31st March, 2002, the ageing analysis of the trade receivables was as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current	**6,581**	7,588
1 to 3 months	**15**	1,503
4 to 6 months	**16**	63
7 to 9 months	**6**	145
10 to 12 months	**60**	3
Over 1 year	**121**	229
	6,799	9,531
Less: Provision for bad and doubtful debts	**(77)**	(66)
	6,722	9,465

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, 2002, trade receivables included amounts totalling HK$1,906,000 (2001: HK$6,662,000) which were factored to a bank in the ordinary course of business and the recourse element of the proceeds is recorded as trust receipt and other bank loans under current liabilities.

18. Trading Securities

	Group and Company	
	2002	2001
	HK$'000	*HK$'000*
Equity securities:		
Listed in Hong Kong, at market value	**2,025**	–

19. Amount Due to a Related Company

The amount due to a related company is unsecured, interest-free and represents consideration payable for the acquisition of a leasehold land and building by the Group *(note 28)*. The amount is repayable within 30 days from the balance sheet date.

20. Trade Payables

At 31st March, 2002, the ageing analysis of trade payables was as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current	**58**	239
1 to 3 months	**11**	530
4 to 6 months	**2**	422
7 to 9 months	**41**	245
10 to 12 months	**18**	–
Over 1 year	**385**	653
	515	2,089

21. Share Capital

	Company Ordinary share of HK$0.1 each			
	2002		2001	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Authorised:				
At 31st March, 2000, 31st March, 2001 and 31st March, 2002	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
At 1st April	**396,000,000**	**39,600**	374,600,000	37,460
Issue of shares upon exercise of share options	**–**	**–**	21,400,000	2,140
Repurchase of shares	**(6,500,000)**	**(650)**	–	–
At 31st March	**389,500,000**	**38,950**	396,000,000	39,600

On 27th August, 2001, 4,500,000 ordinary shares of HK$0.10 each in the Company were repurchased by the Company at HK$0.40 per share through The Stock Exchange of Hong Kong Limited. On 18th January, 2002, another 2,000,000 shares of HK$0.10 each in the Company were repurchased by the Company at HK$1.42 per share through The Stock Exchange of Hong Kong Limited. The shares repurchased, involving cash considerations of approximately HK$1,800,000 and HK$2,840,000 respectively, have been duly cancelled.

22. Reserves

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share premium				
At 1st April	**46,022**	41,742	**46,022**	41,742
Premium on exercise of share options	**–**	4,280	–	4,280
Repurchase of shares *(note 21)*	**(3,990)**	–	**(3,990)**	–
At 31st March	**42,032**	46,022	**42,032**	46,022
Contributed surplus *(note 22(a))*				
At 1st April and 31st March	**–**	–	**67,992**	67,992
Exchange fluctuation reserve				
At 1st April	**95**	46	**–**	–
Exchange difference arising on translation of accounts of overseas subsidiaries and a jointly controlled entity	**(8)**	49	**–**	–
Exchange reserve realised in the profit and loss account upon liquidation of a jointly controlled entity	**(54)**	–	**–**	–
At 31st March	**33**	95	**–**	–
Reserve on consolidation				
At 1st April and 31st March	**3,214**	3,214	**–**	–
(Accumulated losses)/retained profits				
At 1st April, as previously reported	**14,602**	84,438	**(26,585)**	5,058
Effect of adopting SSAP 9 (revised) *(Note 1(s))*	**–**	41,206	**–**	41,206
At 1st April, as restated	**14,602**	125,644	**(26,585)**	46,264
2000 final dividend paid	**–**	(41,206)	**–**	(41,206)
Loss attributable to shareholders	**(33,892)**	(69,836)	**(10,749)**	(31,643)
At 31st March	**(19,290)**	14,602	**(37,334)**	(26,585)
Total reserves	**25,989**	63,933	**72,690**	87,429

22. Reserves *(continued)*

(a) The contributed surplus at 31st March, 2002, and 31st March, 2001 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) and the Bye-laws of the Company, the contributed surplus is distributable to the shareholders, 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) As at 31st March, 2002, the Group's accumulated losses are attributable to the Company and its subsidiaries (2001: the Group's retained profits include accumulated losses of HK$1,516,000 which were attributable to a jointly controlled entity).

23. Long-term Liabilities

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank loans – secured	**23,088**	35,000
Obligations under finance leases	**1,233**	902
Deferred taxation *(note 7(b))*	**141**	226
	24,462	36,128
Less: Current portion of long-term liabilities	**(9,508)**	(16,432)
	14,954	19,696

At 31st March, 2002 and 2001, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group			
	Secured bank loans		Obligations under finance leases	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**9,240**	16,042	**268**	390
In the second year	**9,240**	17,500	**965**	390
In the third to fifth year inclusive	**4,608**	1,458	**–**	122
	23,088	35,000	**1,233**	902

24. Notes to the Consolidated Cash Flow Statement

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Loss before taxation	**(34,365)**	(69,574)
Amortisation of trademarks	**166**	166
Depreciation of owned fixed assets	**1,956**	2,771
Depreciation of fixed assets held under finance leases	**33**	258
Net loss/(gain) on disposal of fixed assets	**224**	(5)
Impairment loss on leasehold land and buildings	**–**	35,620
Revaluation deficit on investment properties	**304**	–
Provision for loss on down materials	**–**	16,588
Write-off of/provision for textile quota deposits	**18,896**	18,756
Interest income	**(680)**	(3,480)
Interest on bank loans, overdrafts and other incidental borrowing costs	**4,288**	13,460
Interest element of finance leases	**181**	101
Share of (profit)/loss of a jointly controlled entity	**(150)**	1,321
Decrease in inventories	**4,860**	38,440
Decrease/(increase) in trade and other receivables, textile quota deposits and prepayments	**27,898**	(29,505)
Increase in trading securities	**(2,025)**	–
Decrease in trade payables, bills payable and accrued charges	**(2,609)**	(4,439)
Effect of foreign exchange rate changes	**(63)**	9
Net cash inflow from operating activities	**18,914**	20,487

(b) Analysis of changes in financing during the year

	Group					
	Share capital including share premium		Bank loans		Finance leases	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Balance at 1st April	**85,622**	79,202	**59,607**	57,373	**902**	1,272
Inception of finance leases	**–**	–	**–**	–	**1,204**	92
Exercise of share options	**–**	6,420	**–**	–	**–**	–
Repurchase of shares	**(4,640)**	–	**–**	–	**–**	–
Cash (outflow)/inflow from financing	**–**	–	**(34,299)**	2,234	**(873)**	(462)
Balance at 31st March	**80,982**	85,622	**25,308**	59,607	**1,233**	902

24. Notes to the Consolidated Cash Flow Statement *(continued)*

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Cash and bank balances	**34,682**	18,239
Bank overdrafts		
– secured	**–**	(3,909)
– unsecured	**(26)**	–
Trust receipt and other bank loans	**(14,801)**	(30,690)
Bank loans – secured	**(23,088)**	(35,000)
Less: Trust receipt and other bank loans repayable more than three months from the date of advance	**25,308**	59,607
	22,075	8,247

(d) Major non-cash transactions

(i) 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$1,204,000 (2001: HK$92,000).

(ii) The Group has purchased a leasehold land and building from a related company with a total consideration of HK$2,179,000 which was paid after the year end *(note 28)*.

25. Banking Facilities

As at 31st March, 2002, the Group's banking facilities amounting to HK$231,688,000 (2001: HK$324,110,000) were secured by the following:

(a) first legal charge over investment properties and leasehold land and buildings in Hong Kong held by a subsidiary with an aggregate carrying value of HK$26,681,000 (2001: HK$27,400,000) *(note 13)*; and

(b) corporate guarantees from the Company and certain subsidiaries of the Group.

In addition, as at 31st March, 2001, the banking facilities were also secured on the Group's bank deposits of HK$24,650,000. The charge on the bank deposits was released during the year ended 31st March, 2002.

26. Contingent Liabilities

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2002 amounted to HK$37,915,000 (2001: HK$69,006,000).

27. Commitments

(a) Capital commitments

(i) Capital commitments in respect of the acquisition of fixed assets contracted but not provided for amounted to HK$568,000 (2001: HK$1,099,000).

(ii) Capital commitments in respect of capital injection to a subsidiary amounted to HK$1,326,000 (2001: HK$1,170,000) *(note 14(c))*.

(iii) Pursuant to a joint venture agreement dated 29th March, 2002 entered into between a subsidiary of the Company and a joint venture partner, a Sino-foreign joint venture, Nanjing Takson Meierzi Manufacturing Limited ("the joint venture"), will be set up in the PRC. The term of the joint venture is ten years commencing from 30th April, 2002. The Group is entitled to share 70% of the profit of the joint venture.

Upon the expiration of the joint venture agreement or termination before the date of expiration, liquidation shall be carried out according to the relevant laws. The liquidated assets shall be distributed in proportion to the capital injected by the venturers.

The Group is required to contribute HK$6,552,000 (equivalent to US$840,000) as its share of the registered capital before 30th April, 2003. On 9th May, 2002, HK$990,600 (equivalent to US$127,000) was injected by the Group into that joint venture.

(b) Commitments under operating leases

At 31st March, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group				**Company**	
	2002		2001		**2002**	2001
	Land and buildings	**Others**	Land and buildings	Others	**Land and buildings**	Land and buildings
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**1,313**	**14**	1,924	14	**1,050**	1,562
Later than one year and not later than five years	**56**	**–**	1,213	–	**–**	1,024
	1,369	**14**	3,137	14	**1,050**	2,586

27. Commitments *(continued)*

(b) Commitments under operating leases *(continued)*

At 31st March, 2002, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Not later than one year	**2,001**	–
Later than one year and not later than five years	**769**	–
	2,770	–

28. Related Party Transaction

During the year the Group had the following significant related party transaction, which was carried out in the normal course of the Group's business:

On 26th March, 2002, Takson Garment Manufacturing Company, Limited ("Takson Garment"), a subsidiary of the Company, entered into a sale and purchase agreement with Run Gain Development Limited ("Run Gain") to purchase a residential property in Shanghai in the PRC at a consideration of approximately HK$2,179,000. The consideration was determined based on a valuation conducted by an independent valuer. The consideration for the transaction was paid in April, 2002.

Run Gain is a company which is indirectly controlled by Mr. Wong Tek Sun, Takson who is a director and a substantial shareholder of the Company.

29. Ultimate Holding Company

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

30. Particulars of Principal Subsidiaries

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

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				
Global Sportswear Inc. (Formerly known as B2B Garment Limited)	British Virgin Islands ("BVI")	Investment holding	1 ordinary share of US$1	100%

30. Particulars of Principal 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
Interest held directly *(continued)*				
Takson (B.V.I.) Limited	BVI	Investment holding	1,000 ordinary shares of US$1 each	100%
Interest held indirectly				
Powderhorn Establishment	Liechtenstein	Holding of trademarks	Swiss Franc 30,000	100%
Shanghai Global Sportswear Inc.	PRC	Manufacturing and sales of garments	Registered captial US$200,000 (Paid up capital of US$30,000)	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	BVI	Contracting agency in the PRC	10 ordinary shares of US$1 each	100%
Takson Properties Limited	BVI	Property holding in Hong Kong	1 ordinary share of US$1	100%

31. Approval of Accounts

The accounts were approved by the Board of Directors on 17th July, 2002.