

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.

In the current year, the Group adopted the following new or revised SSAPs:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these new or revised standards in the Group’s accounting policies has no material effect on the Group’s accounts, except for dividends which are set out in Note 1(u).

Certain comparative figures have been reclassified to conform with the current year’s presentation as a result of adopting the above new or revised standards.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued equity share capital.

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 subsidiaries, associated companies and jointly controlled entities represents the difference between the proceeds of the sale and the Group’s share of their net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated exchange fluctuation.

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 for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(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 31 December and 31 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 31 December and 31 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 / negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against retained earnings pursuant to the Group's previous accounting policies. The Group has taken advantage of the transitional provision in SSAP 30 and such goodwill has not been restated.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1 April 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

For acquisitions prior to 1 April 2001, negative goodwill was taken directly to retained earnings on acquisition pursuant to the Group's previous accounting policies. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an investee entity includes the unamortised balance of goodwill/negative goodwill relating to the entity disposed of.

(f) Fixed assets

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

Effective from 31 March 1975 no further revaluations of the Group's land and buildings have been carried out. The Group has taken advantage of the transitional exemption stated in paragraph 80 of SSAP 17 which does not require regular revaluations for such assets be carried out.

Freehold land is not amortised. Cost less accumulated impairment losses of 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 less accumulated impairment losses 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.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that 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 profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

The gains or losses arising from the retirement or disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the relevant assets and are recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(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.

Notes to the Accounts

(h) Investment securities

Investment securities are stated at cost less provision for impairment losses.

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 impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(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 that they are considered to be doubtful. Debtors are stated in the balance sheet net of such provision.

(l) Cash and cash equivalents

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

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, 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 and contingent assets

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, they will then be recognised as a provision.

A contingent asset is a possible asset 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.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Borrowing costs

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

(t) 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.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, investment securities, inventories, debtors, other investments and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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

(u) Dividends

In accordance with the revised SSAP 9, 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 with the new policy.

As detailed in note 24, this change has resulted in an increase in opening retained profits at 1 April 2001 by HK\$7,790,000 which is the reversal of the provision for the proposal final dividend for the year ended 31 March 2001 previously recorded as a liability as at 31 March 2001 although not declared until after the balance sheet date. The comparatives have been amended in a similar way.

Notes to the Accounts

2. Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of textiles and clothing and investment holding. Revenues recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Textiles and clothing	693,432	895,550
Dividend income from		
Listed investments	11,104	8,889
Unlisted investments	1,265	607
Others	<u>12,014</u>	<u>10,354</u>
	<u>717,815</u>	<u>915,400</u>
Other revenues		
Rental income from other properties less outgoings	1,302	1,979
Interest income	<u>15,384</u>	<u>17,097</u>
	<u>16,686</u>	<u>19,076</u>
Total revenues	<u>734,501</u>	<u>934,476</u>

An analysis of turnover and profit by business and geographical segments is as follows:

Business segments

	Year ended 31 March 2002			
	Textiles and clothing HK\$'000	Investment HK\$'000	Others HK\$'000	Group HK\$'000
Turnover	<u>693,432</u>	<u>12,369</u>	<u>12,014</u>	<u>717,815</u>
Segment results	<u>27,827</u>	<u>(1,800)</u>	<u>(4,571)</u>	21,456
Unallocated income less expenses				(4,242)
Profit on disposal of land and buildings	8,042	—	—	8,042
Profit on disposal of subsidiaries				486
Loss on disposal of associated companies				<u>(9,331)</u>
Operating profit before interest				16,411
Interest income less finance costs				<u>7,839</u>
Operating profit				24,250
Share of profits less losses of				
Associated companies	(316)	16,729	—	16,413
Jointly controlled entities	(41)	5,843	—	<u>5,802</u>
Profit before taxation				46,465
Taxation				<u>(9,801)</u>
Profit after taxation				36,664
Minority interests				<u>977</u>
Profit attributable to shareholders				<u>37,641</u>
Segment assets	487,686	320,932	20,270	828,888
Investments in associated companies	45,586	43,187	—	88,773
Investments in jointly controlled entities	20,483	132,353	—	152,836
Unallocated assets				708
Total assets				<u>1,071,205</u>
Segment liabilities	134,358	315	11,882	146,555
Unallocated liabilities				<u>151,476</u>
Total liabilities				<u>298,031</u>
Capital expenditure	13,310	—	366	13,676
Depreciation	18,104	—	494	18,598
Impairment charge	3,098	—	—	3,098

2. Turnover, revenue and segment information (continued)

Business segments (continued)

	Year ended 31 March 2001			Group HK\$'000
	Textiles and clothing HK\$'000	Investment HK\$'000	Others HK\$'000	
Turnover	<u>895,550</u>	<u>9,496</u>	<u>10,354</u>	<u>915,400</u>
Segment results	<u>66,294</u>	<u>(17,598)</u>	<u>(2,281)</u>	46,415
Unallocated income less expenses				(6,854)
Profit on disposal of land and buildings	5,060	—	—	5,060
Loss on disposal of subsidiaries				<u>(1,117)</u>
Operating profit before interest				43,504
Interest income less finance costs				<u>(181)</u>
Operating profit				43,323
Share of profits less losses of				
Associated companies	(7,838)	16,288	—	8,450
Jointly controlled entities	(1,535)	2,795	—	<u>1,260</u>
Profit before taxation				53,033
Taxation				<u>(12,085)</u>
Profit after taxation				40,948
Minority interests				<u>240</u>
Profit attributable to shareholders				<u>41,188</u>
Segment assets	732,364	266,178	24,920	1,023,462
Investments in associated companies	32,355	44,754	—	77,109
Investments in jointly controlled entities	29,705	118,555	—	148,260
Unallocated assets				<u>560</u>
Total assets				<u>1,249,391</u>
Segment liabilities	136,683	394	16,289	153,366
Unallocated liabilities				<u>174,041</u>
Total liabilities				<u>327,407</u>
Capital expenditure	52,942	—	2,037	54,979
Depreciation	19,807	—	583	20,390

Notes to the Accounts

2. Turnover, revenue and segment information (continued)

Geographical segments

	Year ended 31 March 2002			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	156,525	10,436	353,160	3,562
North America	327,776	8,260	64,053	—
<i>U.S.A.</i>	319,495	7,937	60,668	—
<i>Canada</i>	8,281	323	3,385	—
Europe	145,535	6,842	71,754	—
Asia	71,325	(6,355)	339,921	10,114
Other countries	16,654	2,273	—	—
	<u>717,815</u>	<u>21,456</u>	<u>828,888</u>	<u>13,676</u>
Unallocated income less expenses		(4,242)		
Profit on disposal of land and buildings		8,042		
Profit on disposal of subsidiaries		486		
Loss on disposal of associated companies		(9,331)		
Operating profit before interest		16,411		
Interest income less finance costs		7,839		
Operating profit		<u>24,250</u>		
Investments in associated companies			88,773	
Investments in jointly controlled entities			152,836	
Unallocated assets			708	
Total assets			<u>1,071,205</u>	

	Year ended 31 March 2001			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	193,139	34,434	594,882	46,188
North America	457,108	(8,000)	77,190	—
<i>U.S.A.</i>	446,658	(8,753)	73,872	—
<i>Canada</i>	10,450	753	3,318	—
Europe	141,334	12,606	1,874	8,791
Asia	104,225	5,672	349,516	—
Other countries	19,594	1,703	—	—
	<u>915,400</u>	<u>46,415</u>	<u>1,023,462</u>	<u>54,979</u>
Unallocated income less expenses		(6,854)		
Profit on disposal of land and buildings		5,060		
Loss on disposal of subsidiaries		(1,117)		
Operating profit before interest		43,504		
Interest income less finance costs		(181)		
Operating profit		<u>43,323</u>		
Investments in associated companies			77,109	
Investments in jointly controlled entities			148,260	
Unallocated assets			560	
Total assets			<u>1,249,391</u>	

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2002 HK\$'000	2001 HK\$'000
Crediting:		
Profit on disposal of land and buildings	8,042	5,060
Profit on disposal of other fixed assets	—	2,465
Profit on disposal of subsidiaries	486	—
Profit on disposal of investment securities	752	—
Write back of provision for investment securities	—	693
Realised gain on disposal of other investments	7,572	—
Write back of provision for inventories	<u>5,200</u>	<u>—</u>
Charging:		
Cost of inventories sold	561,057	716,853
Depreciation of fixed assets	18,598	20,390
Impairment of land and buildings	3,098	—
Loss on disposal of other fixed assets	2,336	—
Loss on disposal of subsidiaries	—	1,117
Loss on disposal of associated companies	9,331	—
Loss on disposal of investment securities	—	2,252
Provision for investment securities	13,010	—
Realised loss on disposal of other investments	—	15,854
Unrealised loss on other investments	9,394	10,661
Staff costs		
Included in inventories and cost of inventories sold	78,737	97,673
Others	72,588	86,141
Retirement benefit costs (<i>Note 6</i>)	3,503	1,754
Provision for long service payments	—	184
Operating leases rental in respect of land and buildings	3,020	4,659
Auditors' remuneration	1,988	1,902
Exchange loss	<u>1,127</u>	<u>5,195</u>

Notes to the Accounts

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:

	2002 HK\$'000	2001 HK\$'000
Fees	352	476
Other emoluments:		
Salaries	6,008	4,557
Bonuses	5,415	6,246
Contribution to provident fund	78	44
	<u>11,853</u>	<u>11,323</u>

Directors' fees disclosed above include HK\$216,400 (2001: HK\$330,000) 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	
	2002 HK\$'000	2001 HK\$'000
Nil – HK\$1,000,000	7	10
HK\$1,000,001 – HK\$1,500,000	3	1
HK\$1,500,001 – HK\$2,000,000	2	—
HK\$2,000,001 – HK\$2,500,000	1	3
	<u>13</u>	<u>14</u>

(b) Five highest paid individuals

Among the five individuals whose emoluments were the highest in the Group for the year, four (2001: four) were Directors of the Company and whose emoluments are disclosed above. The remuneration of the other (2001: one) individual is as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries	996	753
Bonuses	350	1,035
Contribution to provident fund	29	—
	<u>1,375</u>	<u>1,788</u>

The emoluments fell within the following bands:

Emolument bands	Number of Individuals	
	2002	2001
HK\$1,000,001 – HK\$1,500,000	1	—
HK\$1,500,001 – HK\$2,000,000	—	1
	<u>1</u>	<u>1</u>

5. Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest expense		
Bank loans and overdrafts	7,253	16,064
Other loans wholly repayable within five years	<u>292</u>	<u>1,214</u>
	<u>7,545</u>	<u>17,278</u>

6. Retirement benefit costs

Prior to 1 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 scheme were held separately from those of the Group in an independently administered fund. As from 1 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 30 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 employees' relevant salaries according to the statutory requirements.

The retirement benefit costs in respect of the above retirement schemes amounted to HK\$3,503,000 (2001: HK\$1,754,000). Available forfeited contributions totalling HK\$460,000 (2001: HK\$325,000) were fully utilized during the year.

7. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the Group operates.

	2002 HK\$'000	2001 HK\$'000
The amount of taxation charged to the consolidated profit and loss account represents:		
The Company and its subsidiaries:		
Hong Kong profits tax	3,640	5,991
Overseas taxation	2,964	2,898
Deferred taxation (Note 26)	<u>(627)</u>	<u>(218)</u>
	<u>5,977</u>	<u>8,671</u>
Share of taxation attributable to:		
Associated companies	3,503	2,903
Jointly controlled entities	<u>321</u>	<u>511</u>
	<u>3,824</u>	<u>3,414</u>
	<u>9,801</u>	<u>12,085</u>

Deferred tax (charge)/credit for the year has not been accounted for in respect of:

Provision for long service payments	(173)	(61)
Tax losses	<u>1,771</u>	<u>(1,909)</u>
	<u>1,598</u>	<u>(1,970)</u>

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8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$150,123,000 (2001: HK\$39,819,000).

9. Dividends

	2002 HK\$'000	2001 HK\$'000
Interim dividend, paid, of HK\$0.05 (2001: Nil) per share	12,984	—
Special dividend, paid, of HK\$0.65 (2001: HK\$0.10) per share	168,796	25,969
Final dividend, proposed, of HK\$0.08 (2001: HK\$0.03) per share	<u>20,775</u>	<u>7,790</u>
	<u>202,555</u>	<u>33,759</u>

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31 March 2000 and 2001 were HK\$20,775,000 and HK\$7,790,000 respectively. Under the Group's new accounting policy as described in Note 1(u), these dividends have been written back against opening retained earnings as at 1 April 2000 and 2001 in Note 24 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 24th July 2002, the Directors of the Company recommended a final dividend of HK\$0.08 per share. This proposed dividend will be accounted for as an appropriation of retained earnings for the year ending 31 March 2003.

10. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$37,641,000 (2001: HK\$41,188,000) and 259,685,289 (2001: 259,685,289) shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2002 (2001: Nil).

11. Related party transactions

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

	2002 HK\$'000	2001 HK\$'000
Purchase of properties from the Winsor Properties Holdings Limited ("WPHL") Group	—	35,626
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	4,772	5,232
Rental income charged to WPHL Group	1,698	1,623
Reimbursement of administrative expenses from WPHL Group	4,226	14,176
Reimbursement of administrative expenses from associated companies	945	484
Purchases from associated companies	15,136	13,989
Sales to associated companies	9,660	16,756
Contracting fee paid to jointly controlled entities	2,358	2,355
Interest received from jointly controlled entities	<u>5,989</u>	<u>—</u>

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.

12. Fixed assets

	Group				Company
	Land and buildings HK\$'000	Plant and machinery HK\$'000	Others HK\$'000	Total HK\$'000	Others HK\$'000
At cost or valuation					
At 1 April 2001	208,184	109,956	44,186	362,326	218
Translation differences	71	54	9	134	—
Reclassification	—	3,745	(3,745)	—	—
Additions	—	9,623	4,053	13,676	43
Disposals	—	(7,633)	(3,570)	(11,203)	(109)
At 31 March 2002	208,255	115,745	40,933	364,933	152
Accumulated depreciation					
At 1 April 2001	58,222	61,686	25,498	145,406	189
Translation differences	12	17	3	32	—
Reclassification	—	1,442	(1,442)	—	—
Charge for the year	6,411	8,473	3,714	18,598	27
Impairment charge	3,098	—	—	3,098	—
Disposals	—	(3,931)	(2,145)	(6,076)	(109)
At 31 March 2002	67,743	67,687	25,628	161,058	107
Net book value					
At 31 March 2002	140,512	48,058	15,305	203,875	45
At 31 March 2001	149,962	48,270	18,688	216,920	29
Analysis of cost or valuation:					
At professional valuation in 1975 and earlier	15,098	—	—	15,098	—
At cost	193,157	115,745	40,933	349,835	152
	208,255	115,745	40,933	364,933	152

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Held in Hong Kong:		
On long-term leases	27,282	28,375
On medium-term leases	37,327	39,870
Held outside Hong Kong:		
Freehold	5,197	5,520
On long-term leases	676	1,353
On medium-term leases	70,030	74,844
	140,512	149,962

Certain land and buildings were revalued on an open market value basis in 1975 and earlier by independent professional valuers and are stated at such valuation. Their aggregate net book value is HK\$7,960,000 (2001: HK\$8,142,000) but would have been HK\$2,237,000 (2001: HK\$2,358,000) had they been stated at cost less accumulated depreciation.

Notes to the Accounts

13. Subsidiaries

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares – at cost	249,742	249,742
Loans and amounts due from subsidiaries	<u>266,723</u>	<u>305,816</u>
	<u>516,465</u>	<u>555,558</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 38 to 39.

14. Associated companies

	Group	
	2002	2001
	HK\$'000	HK\$'000
Group's share of net assets	1,752	39,418
Loans and amounts due from associated companies	87,113	71,882
Loans and amounts due to associated companies	<u>(92)</u>	<u>(34,191)</u>
	<u>88,773</u>	<u>77,109</u>
Investments at cost – unlisted shares	<u>32,202</u>	<u>53,176</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 40.

15. Jointly controlled entities

	Group	
	2002	2001
	HK\$'000	HK\$'000
Group's share of net assets	141,808	136,976
Loans and amounts due from jointly controlled entities	<u>11,028</u>	<u>11,284</u>
	<u>152,836</u>	<u>148,260</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 40.

16. Investment securities

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted equity investments – at cost	23,329	23,336
Loans due from unlisted equity investments	164,010	165,967
Provision	<u>(72,540)</u>	<u>(66,811)</u>
	<u>114,799</u>	<u>122,492</u>
Listed equity investments – at cost		
Listed in Hong Kong	60,049	61,072
Provision	<u>(14,011)</u>	<u>(6,730)</u>
	<u>46,038</u>	<u>54,342</u>
	<u>160,837</u>	<u>176,834</u>
Market value of listed equity investments	<u>314,501</u>	<u>344,226</u>

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

17. Inventories

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	67,459	70,933
Work in progress	27,646	16,881
Finished goods	5,982	6,411
Stores	<u>1,934</u>	<u>1,893</u>
	<u>103,021</u>	<u>96,118</u>

At 31 March 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK\$3,220,000 (2001: HK\$2,049,000).

18. Debtors and other receivables

- Included in debtors and other receivables is an amount of HK\$633,000 (2001: HK\$3,574,000), 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 the 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	
	2002	2001
	HK\$'000	HK\$'000
Current – 30 days	49,657	61,656
31 – 60 days	6,199	10,854
Over 60 days	<u>6,061</u>	<u>18,461</u>
	<u>61,917</u>	<u>90,971</u>

Notes to the Accounts

19. Other investments

	Group	
	2002	2001
	HK\$'000	HK\$'000
Equity securities:		
Listed in Hong Kong	123	179
Listed outside Hong Kong	50,833	42,587
Managed funds	<u>9,133</u>	<u>29,292</u>
Market value	<u>60,089</u>	<u>72,058</u>

20. Creditors and accruals

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current – 30 days	33,827	26,518
31 – 60 days	4,323	3,278
Over 60 days	<u>11,257</u>	<u>21,321</u>
	<u>49,407</u>	<u>51,117</u>

21. Bank loans and overdrafts

	Group	
	2002	2001
	HK\$'000	HK\$'000
Repayable on demand or within one year:		
Unsecured	<u>158,676</u>	<u>171,787</u>

22. Share capital

	Ordinary shares of HK\$0.50 each	
	No. of shares	HK\$'000
Authorised:		
At 31 March 2001 and 2002	<u>300,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 31 March 2001 and 2002	<u>259,685,289</u>	<u>129,843</u>

23. Reserves

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share premium				
At 31 March	<u>306,211</u>	<u>306,211</u>	<u>306,211</u>	<u>306,211</u>
Capital redemption reserve				
At 31 March	<u>775</u>	<u>775</u>	<u>775</u>	<u>775</u>
Land and buildings revaluation reserve				
At 31 March	<u>22,267</u>	<u>22,267</u>	<u>—</u>	<u>—</u>
General reserve				
At 1 April of the previous year	11,845	13,082	—	—
Transfer to retained earnings	<u>—</u>	<u>(1,237)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>11,845</u>	<u>11,845</u>	<u>—</u>	<u>—</u>
Capital reserve				
At 1 April of the previous year	61,993	61,993	17,966	17,966
Transfer to retained earnings on disposal of associated companies	<u>(34,658)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Realised on disposal of associated companies	<u>(457)</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March	<u>26,878</u>	<u>61,993</u>	<u>17,966</u>	<u>17,966</u>
Exchange fluctuation account				
At 1 April of the previous year	16,325	16,909	—	—
Realised on disposal of subsidiaries and associated companies	<u>9,530</u>	<u>898</u>	<u>—</u>	<u>—</u>
Arising from translation of accounts	<u>(5,954)</u>	<u>(1,707)</u>	<u>—</u>	<u>—</u>
Written (back from) / off to retained earnings	<u>(12,922)</u>	<u>225</u>	<u>—</u>	<u>—</u>
At 31 March	<u>6,979</u>	<u>16,325</u>	<u>—</u>	<u>—</u>
	<u>374,955</u>	<u>419,416</u>	<u>324,952</u>	<u>324,952</u>

	Group	
	2002 HK\$'000	2001 HK\$'000

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	1,651	36,766
Exchange fluctuation account	<u>12,108</u>	<u>15,682</u>
	<u>29,691</u>	<u>68,380</u>

The Group's share of the undistributed post-acquisition reserves of jointly controlled entities comprises:

Exchange fluctuation account	<u>1,212</u>	<u>1,186</u>
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Notes to the Accounts

24. Retained earnings

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1 April of the previous year	364,935	356,486	92,654	86,594
Prior year adjustment on dividends	<u>7,790</u>	<u>20,775</u>	<u>7,790</u>	<u>20,775</u>
At 1 April of the previous year, as restated	372,725	377,261	100,444	107,369
Profit for the year	37,641	41,188	150,123	39,819
Prior year final dividend paid	(7,790)	(20,775)	(7,790)	(20,775)
Interim dividend paid (Note 9)	(12,984)	—	(12,984)	—
Special dividend paid (Note 9)	(168,796)	(25,969)	(168,796)	(25,969)
Negative goodwill arising from acquisition of subsidiaries	—	8	—	—
Transfer from capital reserve on disposal of associated companies	34,658	—	—	—
Transfer from general reserve	—	1,237	—	—
Write back/(off) of exchange fluctuation account	<u>12,922</u>	<u>(225)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>268,376</u>	<u>372,725</u>	<u>60,997</u>	<u>100,444</u>
Represented by:				
Retained earnings	247,601	364,935	40,222	92,654
Final dividend proposed (Note 9)	<u>20,775</u>	<u>7,790</u>	<u>20,775</u>	<u>7,790</u>
	<u>268,376</u>	<u>372,725</u>	<u>60,997</u>	<u>100,444</u>

	Group	
	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries	327,120	444,925
Associated companies	(51,434)	(60,200)
Jointly controlled entities	<u>(7,310)</u>	<u>(12,000)</u>
	<u>268,376</u>	<u>372,725</u>
Profit for the year retained by:		
Company and subsidiaries	(170,514)	20,523
Associated companies	910	(13,249)
Jointly controlled entities	<u>4,690</u>	<u>155</u>
	<u>(164,914)</u>	<u>7,429</u>

Reserves available for distribution to shareholders by the Company (as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance) as at 31 March 2002 amounted to HK\$60,997,000 (2001: HK\$100,444,000).

25. Long term liabilities

	Group	
	2002	2001
	HK\$'000	HK\$'000
Provision for long service payments	<u>26,204</u>	<u>26,204</u>

Certain subsidiaries have been making provisions for long service payments. The provision at the balance sheet date is sufficient to cover the Group's potential obligations under the Hong Kong Employment Ordinance to make long service payments to eligible employees.

26. Deferred taxation

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April of the previous year	856	1,074	2	7
Transfer (to)/from profit and loss account (<i>Note 7</i>)	<u>(627)</u>	<u>(218)</u>	<u>3</u>	<u>(5)</u>
At 31 March	<u>229</u>	<u>856</u>	<u>5</u>	<u>2</u>
Arising from:				
Accelerated depreciation allowances	767	1,392	5	2
Unrelieved tax losses	(534)	—	—	—
Other timing differences	<u>(4)</u>	<u>(536)</u>	<u>—</u>	<u>—</u>
	<u>229</u>	<u>856</u>	<u>5</u>	<u>2</u>
The potential deferred tax asset which has not been accounted for amounts to:				
Provision for long service payments	416	589	—	—
Unrelieved tax losses	<u>20,506</u>	<u>18,735</u>	<u>—</u>	<u>—</u>
	<u>20,922</u>	<u>19,324</u>	<u>—</u>	<u>—</u>

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

27. Capital commitments

The Group and the Company did not have material capital commitments at 31 March 2002 (*2001: Nil*).

28. Lease commitments

	Group	
	2002	2001
	HK\$'000	HK\$'000
The future aggregate minimum lease payments under non-cancellable operating leases for land and buildings are payable as follows:		
Not later than one year	1,631	3,496
Later than one year and not later than five years	<u>711</u>	<u>838</u>
	<u>2,342</u>	<u>4,334</u>

Notes to the Accounts

29. Future lease receipts

	Group	
	2002	2001
	HK\$'000	HK\$'000
The future minimum lease receipts under non-cancellable operating leases in respect of other properties are receivable as follows:		
Not later than one year	681	617
Later than one year and not later than five years	—	576
	<u>681</u>	<u>1,193</u>

30. Contingent liabilities

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bills discounted with recourse	7,562	14,405	—	—
Guarantees given in respect of banking facilities granted to:				
Subsidiaries	—	—	853,341	850,341
Associated companies	21,850	24,117	20,850	23,117
Other investments, in proportion to the Group's equity interests in such companies	<u>14,038</u>	<u>25,300</u>	<u>14,038</u>	<u>14,038</u>
	<u>43,450</u>	<u>63,822</u>	<u>888,229</u>	<u>887,496</u>

31. Notes to the consolidated cash flow statement

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

	2002	2001
	HK\$'000	HK\$'000
Operating profit	24,250	43,323
Interest income	(15,384)	(17,097)
Interest expenses	7,545	17,278
Dividend income	(12,369)	(9,496)
Depreciation charges	18,598	20,390
Impairment of land and buildings	3,098	—
Profit on disposal of fixed assets	(5,706)	(7,525)
(Profit)/loss on disposal of subsidiaries	(486)	1,117
Loss on disposal of associated companies	9,331	—
(Gain)/loss on disposal of investment securities	(752)	2,252
Provision/(write back of provision) for investment securities	13,010	(693)
Provision for long service payments	—	(5,033)
(Increase)/decrease in inventories	(6,903)	35,410
Decrease in debtors and other receivables	15,884	35,672
Decrease in other investments	11,969	14,125
Decrease in creditors and accruals	(10,896)	(26,058)
Exchange translation differences	(6,736)	4,656
Net cash inflow from operating activities	<u>44,453</u>	<u>108,321</u>

31. Notes to the consolidated cash flow statement (continued)

(b) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of		
Debtors and other receivables	—	1,420
Cash at bank and in hand	—	1,539
Creditors and accruals	—	(957)
Minority interests	—	436
	—	2,438
Realisation of exchange reserve on disposal	(486)	898
Profit/(loss) on disposal of subsidiaries	486	(1,117)
	—	2,219
Satisfied by		
Cash	—	2,219
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash receipt	—	2,219
Cash at bank and in hand of the subsidiaries disposed of	—	(1,539)
	—	680

(c) Analysis of changes in financing

	Minority interests		Bank loans	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1 April of the previous year	2,674	2,401	42,000	52,101
Capital contribution	500	—	—	—
Acquisition of subsidiaries	—	(559)	—	—
Disposal of subsidiaries	—	436	—	—
Minority interests in share of profits	(977)	(240)	—	—
Translation difference	—	1	—	—
Cash inflow/(outflow) from financing	—	635	26,000	(10,101)
At 31 March	2,197	2,674	68,000	42,000

(d) Analysis of bank loans

	2002 HK\$'000	2001 HK\$'000
Bank loans and overdrafts (Note 21)	158,676	171,787
Less: Amount included under cash and cash equivalents	(90,676)	(129,787)
	68,000	42,000

32. Ultimate holding company

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

33. Approval of accounts

The accounts set out on pages 13 to 40 were approved by the Board of Directors on 24 July 2002.