

Notes to the Financial Statements

For the year ended 31 March 2003

1. GENERAL

The Company is incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric, trading of garment products and provision of quality inspection services.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries denominated in currencies other than Hong Kong dollars at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest expenses, interest income and dividend paid, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows, as appropriate. Cash flows arising from taxes on income are classified as operating activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

SSAP 34 "Employee Benefits" introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined contribution retirement benefit plans. The adoption of this SSAP has not had any material effect on the results for the current or prior accounting periods.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to their effective dates of acquisition or disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions on or after 1 April 2001 is capitalised and amortised on a straight line basis over its estimated useful life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Turnover

Turnover represents the net amounts received and receivable for goods sold and services rendered, net of returns and allowances, during the year.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

Property, plant and equipment

Construction in progress is stated at cost less any accumulated impairment losses. Cost includes all development expenditure and other direct costs, including borrowing costs capitalised in accordance with the Group's accounting policy, attributable to such projects and deposits made for property acquisitions. It is not depreciated until completion of construction. Cost on completed construction works is transferred to the appropriate categories of property, plant and equipment.

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation or amortisation and any accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining term of the relevant lease
Buildings	Over the shorter of the term of the lease, or 40 years
Furniture, fixtures and equipment	15% – 25%
Leasehold improvements	10% – 20%
Motor vehicles	20%
Plant and machinery	6 ² / ₃ % – 25%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of that asset and is recognised in the income statement.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewal period, is twenty years or less.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired are charged to the income statement over the period of relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's subsidiaries operate outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Retirement benefits costs

Payments to the Group's defined contribution retirement benefit scheme and Mandatory Provident Fund scheme are charged as an expense as they fall due.

4. TURNOVER

	2003 HK\$'000	2002 HK\$'000
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An analysis of the Group's turnover is as follows:

Production and sale of knitted fabric	765,333	578,978
Trading of garment products and provision of quality inspection services	483,696	293,594
	<hr/> 1,249,029	<hr/> 872,572

Notes to the Financial Statements

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

The Group is currently engaged in two business activities – (i) production and sale of knitted fabric; and (ii) trading of garment products and provision of quality inspection services. These activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Year ended 31 March 2003

	Production and sale of knitted fabric <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	765,333	483,696	1,249,029
RESULT			
Segment result	102,277	32,856	135,133
Unallocated corporate income			200
Unallocated corporate expenses			(6,880)
Profit from operations			128,453
Finance costs			(10,070)
Profit before tax			118,383
Taxation			(11,761)
Profit after tax			106,622
Minority interests			(14,354)
Net profit for the year			92,268

Notes to the Financial Statements

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

BALANCE SHEET

At 31 March 2003

	Production and sale of knitted fabric <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	936,320	92,164	1,028,484
Unallocated corporate assets			15,023
Consolidated total assets			1,043,507
LIABILITIES			
Segment liabilities	171,360	36,130	207,490
Unallocated corporate liabilities			235,449
Provision for taxation			14,975
Consolidated total liabilities			457,914

OTHER INFORMATION

	Production and sale of knitted fabric <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	97,575	11,832	109,407
Depreciation and amortisation	34,024	1,679	35,703
Deficit on revaluation	90	447	537

Notes to the Financial Statements

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

Year ended 31 March 2002

	Production and sale of knitted fabric HK\$'000	Trading of garment products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	578,978	293,594	–	872,572
Inter-segment sales*	6,698	–	(6,698)	–
Total turnover	585,676	293,594	(6,698)	872,572
RESULT				
Segment result	48,763	4,107	–	52,870
Unallocated corporate income				45
Unallocated corporate expenses				(5,717)
Profit from operations				47,198
Finance costs				(10,056)
Profit before tax				37,142
Taxation				(1,816)
Profit after tax				35,326
Minority interests				(1,643)
Net profit for the year				33,683

* Inter-segment sales were charged at terms determined and agreed between the group companies.

Notes to the Financial Statements

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

BALANCE SHEET

At 31 March 2002

	Production and sale of knitted fabric <i>HK\$'000</i>	Trading of garment products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	727,777	70,150	797,927
Unallocated corporate assets			5,253
Consolidated total assets			803,180
LIABILITIES			
Segment liabilities	136,800	57,348	194,148
Unallocated corporate liabilities			194,558
Provision for taxation			5,477
Consolidated total liabilities			394,183
OTHER INFORMATION			
	Production and sale of knitted fabric <i>HK\$'000</i>	Trading of garment products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	82,149	6,470	88,619
Depreciation and amortisation	28,628	1,714	30,342
Deficit on revaluation	450	–	450

Notes to the Financial Statements

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

Geographical Segments

The Group's operations are mainly located in Hong Kong, other regions of the People's Republic of China (the "PRC") and the United States of America ("USA").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	450,905	351,056
Other regions of the PRC	203,601	113,450
USA	373,882	249,226
Others	220,641	158,840
	1,249,029	872,572

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, investment properties and goodwill	
	As at 31.3.2003 HK\$'000	As at 31.3.2002 HK\$'000	As at 31.3.2003 HK\$'000	As at 31.3.2002 HK\$'000
Hong Kong	340,757	257,709	15,801	11,212
Other regions of the PRC	664,200	488,304	93,606	77,407
USA	16,789	44,922	–	–
Others	21,761	12,245	–	–
	1,043,507	803,180	109,407	88,619

Notes to the Financial Statements

For the year ended 31 March 2003

6. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>Note (i)</i>)	9,859	9,602
Other staff costs	48,664	44,277
Total staff costs	58,523	53,879
Auditors' remuneration	794	620
Deficit arising on revaluation of investment properties	537	450
Depreciation and amortisation of property, plant and equipment:		
– assets owned by the Group	26,460	20,804
– assets held under finance leases	8,597	8,892
Guaranteed distribution paid to a joint venture partner in the PRC (<i>Note (ii)</i>)	3,489	3,026
Loss on disposal of property, plant and equipment	–	1,568
and after crediting:		
Gross rental income from investment properties and property, plant and equipment	2,509	654
Less: Outgoings	(221)	(279)
Net property rental income	2,288	375
Gain on disposal of property, plant and equipment	235	–
Interest income	883	206

Included in the total staff costs is an aggregate amount of approximately HK\$1,468,000 (2002: HK\$1,703,000) in respect of contributions of retirement benefits schemes by the Group (*Note (iii)*).

Notes to the Financial Statements

For the year ended 31 March 2003

6. PROFIT FROM OPERATIONS – CONTINUED

Notes:

(i) Information regarding directors' and employees' emoluments

Directors

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	300	300
	300	300
Other emoluments to executive directors:		
Basic salaries and other benefits	4,159	4,036
Preference share dividend received from a subsidiary	4,389	4,389
Performance related incentive payments	754	642
Retirement benefits scheme contributions	257	235
	9,559	9,302
	9,859	9,602

Emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Not exceeding HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,500,001 to HK\$3,000,000	2	2

Employees

The five highest paid individuals of the Group included four (2002: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2002: one) highest paid individual of the Group, not being directors of the Company, are as follows:

	2003 HK\$'000	2002 HK\$'000
Basic salaries and other benefits	780	1,001
Performance related incentive payments	220	–
Retirement benefits scheme contributions	58	12
	1,058	1,013

Notes to the Financial Statements

For the year ended 31 March 2003

6. PROFIT FROM OPERATIONS – CONTINUED

Notes: – Continued

(ii) Guaranteed distribution paid to a joint venture partner in the PRC

The amount includes operating lease rentals in respect of rented premises amounting to approximately HK\$770,000 (2002: HK\$728,000).

(iii) Retirement benefits scheme contributions

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund (“MPF”) legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is required to participate in an MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

Both of the defined contributions retirement benefits scheme and MPF are co-existed within the Group in both years.

As at 31 March 2003 and 2002, there were no forfeited contributions available to offset future employers’ contributions to the scheme.

7. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
– bank borrowings wholly repayable within five years	8,940	8,016
– bank borrowings not wholly repayable within five years	34	110
– finance leases	1,096	1,930
	10,070	10,056

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For the year ended 31 March 2003

8. TAXATION

	2003 HK\$'000	2002 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year		
– current year	7,539	1,293
– overprovision in prior years	–	(22)
	<u>7,539</u>	<u>1,271</u>
Enterprise income tax in the PRC attributable to a subsidiary	2,796	278
Overseas income tax		
– current year	1,500	267
– overprovision in prior years	(74)	–
	<u>1,426</u>	<u>267</u>
	<u>11,761</u>	<u>1,816</u>

Taxation arising in jurisdictions other than Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Deferred taxation has not been provided in the financial statements as there were no significant timing differences arising during the year or at the balance sheet date.

9. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Interim dividend paid of HK3.0 cents (2002: nil) per ordinary share	12,814	–
Proposed final dividend of HK4.0 cents (2002: HK3.0 cents) per ordinary share	20,012	10,793
	<u>32,826</u>	<u>10,793</u>

The amount of the final dividend proposed for the year ended 31 March 2003, which will be in cash form with a scrip dividend option, has been calculated by reference to the 500,312,004 (2002: 359,776,000) issued ordinary shares outstanding as at the date of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2003

9. DIVIDENDS – CONTINUED

The final dividend of HK4.0 cents (2002: HK3.0 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the year, share dividends were offered in respect of the 2002 final and 2003 interim dividends. These share dividends were accepted by the majority of shareholders as follows:

	2003	2002
	Interim	Final
	HK\$'000	HK\$'000
Dividend		
– cash	4,174	3,612
– share alternative	8,640	7,181
	12,814	10,793

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2003	2002
	HK\$	HK\$
Earnings for the purpose of basic and diluted earnings per share	92,268,000	33,683,000
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	390,421,962	330,880,964
Effect of dilutive potential ordinary shares in respect of share options	40,693,620	75,906,125
Weighted average number of ordinary shares for the purposes of diluted earnings per share	431,115,582	406,787,089

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For the year ended 31 March 2003

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Con- struction in progress HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1 April 2002	145,784	852	8,878	7,255	11,556	272,210	446,535
Additions	6,404	32,732	1,479	64	4,706	53,275	98,660
Transfer	27,076	(29,460)	–	–	–	2,384	–
Disposal	–	–	(513)	–	(3,592)	–	(4,105)
At 31 March 2003	179,264	4,124	9,844	7,319	12,670	327,869	541,090
DEPRECIATION AND AMORTISATION							
At 1 April 2002	15,403	–	5,949	4,860	7,873	115,797	149,882
Provided for the year	6,049	–	1,250	766	1,455	25,537	35,057
Eliminated on disposal	–	–	(494)	–	(3,313)	–	(3,807)
At 31 March 2003	21,452	–	6,705	5,626	6,015	141,334	181,132
NET BOOK VALUES							
At 31 March 2003	157,812	4,124	3,139	1,693	6,655	186,535	359,958
At 31 March 2002	130,381	852	2,929	2,395	3,683	156,413	296,653

The Group's property interests other than investment properties comprise:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Properties situated:		
– in Hong Kong	7,601	7,960
– The PRC	154,335	123,273
	161,936	131,233

All of the Group's land and buildings are held under medium-term leases.

The net book value of property, plant and equipment held under finance leases at 31 March 2003 amounted to approximately HK\$36,150,000 (2002: HK\$63,614,000).

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For the year ended 31 March 2003

12. INVESTMENT PROPERTIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
VALUATION		
At 1 April 2002	1,440	1,890
Addition	10,747	–
Deficit on revaluation	(537)	(450)
At 31 March 2003	11,650	1,440

The investment properties of the Group were valued at 31 March 2003 by Messrs. Chesterton Petty Ltd, an independent firm of professional valuers, on an open market, existing use basis. The deficit arising on revaluation of investment properties has been charged to the income statement.

All of the Group's investment properties are situated in Hong Kong and are held under medium-term leases. They are held for rental purpose under operating leases.

13. GOODWILL

	THE GROUP
	HK\$'000
COST	
At 1 April 2002 and at 31 March 2003	3,228
AMORTISATION	
At 1 April 2002	646
Provided for the year	646
At 31 March 2003	1,292
CARRYING AMOUNT	
At 31 March 2003	1,936
At 31 March 2002	2,582

The amortisation period adopted for goodwill is five years.

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For the year ended 31 March 2003

14. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	85,985	85,985
Amounts due from subsidiaries	377,321	221,573
	463,306	307,558
Amount due to a subsidiary	45,010	10

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be settled within twelve months of the balance sheet date and accordingly the amounts are shown as non-current assets.

The amount due to a subsidiary is unsecured, interest free and is repayable on demand.

Details of the Company's principal subsidiaries at 31 March 2003 are set out in note 29.

15. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	131,095	86,004
Work in progress	88,999	59,333
Finished goods	46,662	35,185
	266,756	180,522

Included above are raw materials of HK\$314,000 (2002: HK\$303,000) and finished goods of HK\$37,000 (2002: HK\$25,000) which are carried at net realisable value.

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16. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 60 days	177,132	143,386
61 – 90 days	33,318	26,388
Over 90 days	46,106	30,980
	<hr/>	<hr/>
	256,556	200,754

17. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 60 days	124,565	125,387
61 – 90 days	8,611	8,345
Over 90 days	9,980	18,028
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	143,156	151,760

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18. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases:				
Within one year	9,233	16,025	8,645	15,121
In the second to fifth year inclusive	15,011	14,488	14,504	13,774
	24,244	30,513	23,149	28,895
Less: Future finance charges	(1,095)	(1,618)	–	–
Present value of lease obligations	23,149	28,895	23,149	28,895
Less: Amount due for settlement within 12 months and shown under current liabilities			(8,645)	(15,121)
Amount due for settlement after 12 months			14,504	13,774

The average leases term of the finance leases is three years. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the Financial Statements

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19. BANK BORROWINGS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Import loans and trust receipts	122,352	75,544
Bank loans	83,100	84,995
Mortgage loans	6,066	2,995
Bank overdrafts	–	135
	211,518	163,669
Analysed as:		
– secured	11,455	19,959
– unsecured	200,063	143,710
	211,518	163,669
The bank borrowings bear interest at prevailing market rates and are repayable as follows:		
Within one year or on demand	181,191	137,596
Between one to two years	14,918	18,177
Between two to five years	12,883	7,896
Over five years	2,526	–
	211,518	163,669
Less: Amount due within one year included in current liabilities	(181,191)	(137,596)
Amount due after one year	30,327	26,073

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For the year ended 31 March 2003

20. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	Amount HK\$'000
<i>Authorised:</i>			
At 1 April 2001, 31 March 2002 and 31 March 2003	0.01	40,000,000,000	400,000
<i>Issued and fully paid:</i>			
At 1 April 2001		276,480,000	2,765
Issue of new shares (<i>Note i</i>)		55,296,000	553
Issue of new shares (<i>Note ii</i>)		28,000,000	280
At 31 March 2002		359,776,000	3,598
Issue of new shares (<i>Note iii</i>)		40,000,000	400
Issue of shares pursuant to scrip dividend scheme for 2002 final and 2003 interim dividend (<i>Note iv</i>)		17,592,004	176
Issue of shares under share option scheme (<i>Note v</i>)		56,588,800	566
At 31 March 2003		473,956,804	4,740

Notes:

- (i) Pursuant to a placing agreement dated 24 May 2001, an aggregate of 55,296,000 ordinary shares of HK\$0.01 each in the Company was placed by Pearl Garden Pacific Limited and Madian Star Limited, two controlling shareholders of the Company, to independent investors at the price of HK\$0.25 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 55,296,000 new shares in the Company at the price of HK\$0.25 each so as to raise further working capital for the Company and broaden its shareholder and capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$13.5 million were used by the Group for general working capital purposes. Details of the placement and subscription were disclosed in the announcement issued by the Company on 24 May 2001.
- (ii) Pursuant to a placing agreement dated 12 December 2001, an aggregate of 18,000,000 ordinary shares of HK\$0.01 each in the Company was placed by Pearl Garden Pacific Limited and Madian Star Limited to independent investors at price of HK\$0.275 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 28,000,000 new shares in the Company at the price of HK\$0.275 each so as to raise further working capital for the Company and broaden its shareholder and capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$7.5 million were used by the Group for general working capital purposes. Details of the placement and subscription were disclosed in the announcement issued by the Company on 12 December 2001.

Notes to the Financial Statements

For the year ended 31 March 2003

20. SHARE CAPITAL – CONTINUED

Notes: – Continued

- (iii) Pursuant to a placing agreement dated 14 March 2003, an aggregate of 40,000,000 ordinary shares of HK\$0.01 each in the Company were placed by Pearl Garden Pacific Limited and Madian Star Limited to independent investors at the price of HK\$1.75 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 40,000,000 new shares in the Company at the price of HK\$1.75 per share so as to raise further working capital for the Company and broaden its shareholder and capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$68 million were used by the Group for the expansion of its production capacity and as general working capital. Details of the placement and subscription were disclosed in the announcement issued by the Company on 27 March 2003.
- (iv) On 18 October 2002 and 14 February 2003, the Company issued and allotted a total of 10,753,735 shares and 6,838,269 shares of HK\$0.01 each at an issue price of HK\$0.6678 and HK\$1.2635 each in lieu of cash for the 2002 final and 2003 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 9 September 2002 and 15 January 2003 respectively. These shares rank pari passu in all respects with the then existing shares.
- (v) During the year, 56,588,800 share options were exercised at a subscription price of HK\$0.275 per share, resulting in the issue of 56,588,800 ordinary shares of HK\$0.01 each in the Company.

21. SHARE OPTIONS

Pursuant to the special general meeting of the Company held on 30 November 2001, the Board of Directors of the Company terminated the share option scheme which was adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 22 April 1996. On the same date, the Board of Directors approved and adopted the new share option scheme (the "Scheme"), details of which are set out as follows.

The Scheme was adopted for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and will expire on 29 November 2011. Under the Scheme, the Board of Directors of the Company may grant options to full-time employees, including executive directors of the Company and its subsidiaries, and any participants from time to time determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

At 31 March 2003, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 26,355,200 (2002: 82,944,000), representing approximately 6% (2002: 23%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being.

Notes to the Financial Statements

For the year ended 31 March 2003

21. SHARE OPTIONS – CONTINUED

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per each grant of option(s). Options may generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The following table discloses movements in the Company's share options during both years:

Category	Date of grant	Exercise price HK\$	Exercisable period	Number of option shares				
				Outstanding at 1.4.2001	Granted during the year	Outstanding at 1.4.2002	Exercised during the year	Outstanding at 31.3.2003
Directors								
Mr. Li Ming Hung	4 December 2001	0.275	4.12.2001 – 3.12.2010	-	8,294,400	8,294,400	(8,294,400)	-
Mr. Chen Tien Tui	4 December 2001	0.275	4.12.2001 – 3.12.2010	-	8,294,400	8,294,400	(8,294,400)	-
Employees	4 December 2001	0.275	4.12.2001 – 3.12.2010	-	66,355,200	66,355,200	(40,000,000)	26,355,200
				-	82,944,000	82,944,000	(56,588,800)	26,355,200

Total consideration received during the year ended 31 March 2002 from directors and employees for taking up the options granted amounted to HK\$6.

No charge is recognised in the income statement in respect of the value of options granted during the year ended 31 March 2002.

Details of closing prices of the Company's share immediately before the date of exercise of the options were as follows:

Number of share options exercised	Closing price before date of exercise HK\$
18,000,000	0.87
7,000,000	0.88
12,000,000	0.90
19,588,800	0.93

Save as disclosed above, no share options were granted to the directors or employees of the Company during both years.

Notes to the Financial Statements

For the year ended 31 March 2003

22. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1 April 2001	112,967	154,214	–	796	267,977
Premium arising on issue of shares, net of expenses	20,503	–	–	–	20,503
Net profit for the year	–	–	–	15,020	15,020
Final dividend declared	–	–	10,793	(10,793)	–
At 31 March 2002	133,470	154,214	10,793	5,023	303,500
Premium arising on issue of shares, net of expenses	98,319	–	–	–	98,319
Net profit for the year	–	–	–	34,995	34,995
Interim dividend declared	–	–	12,814	(12,814)	–
Dividend paid	–	–	(23,607)	–	(23,607)
Final dividend declared (note 9)	–	–	20,012	(20,012)	–
At 31 March 2003	231,789	154,214	20,012	7,192	413,207

The contributed surplus of the Company represents the difference between the book values of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation which became effective on 22 April 1996, net of HK\$100,000 subsequently applied in paying up in full at par the 1,000,000 nil paid shares, together with a credit of approximately HK\$68,429,000 arising from the capital reduction in January 2001.

In addition to accumulated profits, under the company laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 31 March 2003 are represented by its accumulated profits, dividend reserve and contributed surplus, totalling approximately HK\$181,418,000 (2002: HK\$170,030,000).

Notes to the Financial Statements

For the year ended 31 March 2003

23. ACQUISITION OF A SUBSIDIARY

On 1 April 2001, the Group acquired 51% of the issued share capital of Ford Glory International Limited, a private limited company incorporated in Hong Kong and engaged in garment trading, for a cash consideration of approximately HK\$8.3 million. This transaction had been accounted for using the acquisition method of accounting.

The effect of the acquisition was summarised as follows:

	2003 HK\$'000	2002 HK\$'000
Property, plant and equipment	–	2,349
Trade receivables	–	20,801
Deposits, prepayments and other receivables	–	4,063
Bank balances and cash	–	4,807
Trade payables	–	(20,775)
Other payables	–	(775)
Taxation payable	–	(552)
Minority interests	–	(4,860)
	–	5,058
Goodwill	–	3,228
Cash consideration	–	8,286
Net cash outflow arising on acquisition:		
Cash consideration	–	(8,286)
Bank balances and cash acquired	–	4,807
	–	(3,479)

The subsidiary acquired during the year ended 31 March 2002 contributed HK\$291,753,000 to the Group's turnover and HK\$4,092,000 to the Group's profit from operations for that year.

24. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases arrangements in respect of assets with a capital value of HK\$15,703,000 (2002: HK\$17,352,000) at the inception of the finance leases.

Notes to the Financial Statements

For the year ended 31 March 2003

25. PLEDGE OF ASSETS

At 31 March 2003, investment properties and certain property, plant and equipment of subsidiaries of the Company with aggregate net book value of approximately HK\$10,300,000 (2002: HK\$1,440,000) and approximately HK\$22,957,000 (2002: HK\$32,287,000), respectively, were pledged to banks as security for the credit facilities granted to the Group.

26. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bills discounted with recourse	13,721	13,921	–	–
Factoring financing facilities with recourse	18,585	10,426	–	–
Corporate guarantee given to a financial institution to secure factoring financing facilities granted to a subsidiary	–	–	15,500	15,500
Corporate guarantees given to banks and other financial institutions to secure credit facilities granted to subsidiaries	–	–	479,743	306,214
	32,306	24,347	495,243	321,714

Notes to the Financial Statements

For the year ended 31 March 2003

27. COMMITMENTS

(i) Payments to a PRC joint venture partner

At 31 March 2003, the Group was committed to pay an annual guaranteed distribution to a PRC joint venture partner in the coming year amounting to approximately HK\$3,666,000 (2002: HK\$3,166,000), which included an amount of approximately HK\$770,000 (2002: HK\$770,000) in respect of operating lease commitments for rented premises.

(ii) Capital commitments

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the financial statements	114,444	15,653

At 31 March 2003, the capital expenditure was mainly related to the acquisition of new yarn-dyeing facilities in Xinhui, the PRC for expansion of the Group's business.

The Company had no significant capital commitment at the balance sheet date.

(iii) Operating lease arrangements

The Group as lessee

	2003	2002
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases in respect of premises during the year	2,332	1,702

At the balance sheet date, the Group had commitments for future minimum lease payments, excluding the amount as set out in (i) above, under non-cancellable operating leases in respect of rented premises and warehouses which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	1,038	1,813
In the second to fifth year inclusive	1,264	1,991
Over five years	280	1,493
	2,582	5,297

Notes to the Financial Statements

For the year ended 31 March 2003

27. COMMITMENTS – CONTINUED

(iii) Operating lease arrangements – Continued

Operating lease payment represents rental payable by the Group for its office premises and warehouse. Leases are negotiated for terms ranging from one to seven years (2002: two to fifteen years) and rental is fixed throughout the lease period.

The Company did not have any operating lease commitments at the balance sheet date.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	50	595
In the second to fifth year inclusive	–	27
	<hr/>	<hr/>
	50	622

Property rental income earned during the year under the leases was approximately HK\$2,509,000 (2002: HK\$654,000). The Group's properties are expected to generate rental yields of 13% (2002: 13%) on an ongoing basis. All of the properties held have committed tenants for the next year.

Notes to the Financial Statements

For the year ended 31 March 2003

28. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

Name of company	Notes	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Denin Trading Company Limited	(i) & (iii)	Purchases of raw materials by the Group	–	2,848
Verdure Enterprises Limited	(ii) & (iv)	Operating lease rental paid by the Group	108	108

In addition, during the year, Pearl Garden Pacific Limited (note v) and Madian Star Limited (note vi) together subscribed for an aggregate of 40,000,000 new shares in the Company at the price of HK\$1.75 per share, details of which are disclosed in note 20 (iii).

During the year ended 31 March 2002, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 55,296,000 and 28,000,000 new shares in the Company at the price of HK\$0.25 and HK\$0.275 per share, respectively, details of which are disclosed in note 20 (i) and (ii).

Notes:

- (i) A company in which Mr. Chen Tien Tui, a director of the Company, had a 33 $\frac{1}{3}$ % beneficial interest.
- (ii) The entire issued share capital of Verdure Enterprises Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (iii) The transactions were carried out at prices determined by reference to market prices for similar transactions.
- (iv) The monthly rental was determined based on market rental.
- (v) The entire issued share capital of Pearl Garden Pacific Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (vi) The entire issued share capital of Madian Star Limited is owned by a discretionary trust, the object of which include Mr. Chen Tien Tui and his family.

Notes to the Financial Statements

For the year ended 31 March 2003

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value issued/ registered capital held by the Company#/ subsidiaries %	Effective proportion of issued/registered capital held by the Group %	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macao	MOP100,000	100	100	Trading of knitted fabric
CSG Apparel Inc.	Canada	Common share CAD1	100	51	Trading of garment products
CSG Fashion Inc	United States of America	Ordinary US\$1,000	100	51	Trading of garment products
Ford Glory Holdings Limited	British Virgin Islands	Ordinary US\$100	51	51	Investment holding and provision of quality inspection services
Ford Glory International Limited	Hong Kong	Ordinary HK\$5,000,000	100	51	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK\$10	100	100	Provision of management services
Tectfield Industrial Limited	Hong Kong	Ordinary HK\$10,000 Deferred (Note (i)) HK\$10,000	77.78	77.78	Manufacture of and trading in labels and hang-tags
Top Star Limited	Hong Kong	Ordinary HK\$2	100	51	Property holding
Value Plus (Macao Commercial Offshore) Limited	Macao	MOP100,000	100	51	Provision of quality inspection services

Notes to the Financial Statements

For the year ended 31 March 2003

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES – CONTINUED

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value issued/ registered capital held by the Company#/ subsidiaries %	Effective proportion of issued/registered capital held by the Group %	Principal activities
Victory City (China) Holdings Limited	British Virgin Islands	Ordinary US\$2	100	100	Investment holding
Victory City Company Limited	Hong Kong	Ordinary HK\$10 Deferred (Note (i)) HK\$8,000,000	100	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US\$6	100#	100	Investment holding
Victory City Investments Limited	British Virgin Islands	Ordinary US\$1	100#	100	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US\$2 Preference (Note (ii)) US\$3,300	100	100	Investment holding
Winning Zone Inc.	United States of America	Ordinary US\$100,000	100	100	Trading of knitted fabric
江門市新會區冠華針織廠有限公司 ("Xinhui Victory City") (Note (iii))	PRC	US\$16,819,300	100	100	Knitting, dyeing and finishing of fabric
江門市新會區場名針織廠有限公司	PRC	(Note (iv))	90	90	Knitting, dyeing and finishing finishing of fabric

Notes to the Financial Statements

For the year ended 31 March 2003

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES – CONTINUED

Notes:

- (i) The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of respective subsidiaries or to participate in any distribution on a winding-up.
- (ii) The redeemable non-voting preference shares of VCOL, which are held by Messrs. Li Ming Hung, Chen Tien Tui and Choi Lin Hung, carry minimal right to receive notice of or to attend or vote at any general meeting of VCOL. The holders of the redeemable non-voting preference shares shall only be entitled to a fixed dividend per annum when the profit before tax of VCOL available for dividend exceeds a pre-determined figure. On a winding-up, the holders of the redeemable non-voting preference shares shall be entitled to receive a return of the capital paid up on the redeemable non-voting preference shares held by them respectively.
- (iii) Pursuant to the co-operative joint venture contract and various supplemental agreements, other than an annual guaranteed distribution payable to the joint venture partner in the PRC, the Group is to bear the entire risk and liabilities and share the entire profit and loss of Xinhui Victory City during the term of the co-operative joint venture commencing from 6 May 1988 (date of establishment of Xinhui Victory City) to 31 August 2007. Upon dissolution of Xinhui Victory City, the PRC joint venture partner will re-possess the assets it had contributed or the residual value of the assets, which should be determined by both parties. The Group has accordingly treated the annual guaranteed distribution payable to the PRC joint venture partner as an operating expense for the use of plant and machinery and factory premises contributed and other facilities provided by the PRC joint venture partner, and Xinhui Victory City is treated by the Group as a wholly-owned subsidiary for accounting purposes. All assets contributed by the PRC joint venture partner have been treated as assets under operating leases and are therefore not included as assets of the Group.
- (iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門市新會區揚名針織廠有限公司 was approximately US\$1,709,000 as at 31 March 2003, which was wholly contributed by the Group. Additional capital contribution by the Group during the year ended 31 March 1999, which amounted to approximately US\$394,000, has not yet been verified as at 31 March 2003.

None of the subsidiaries had any debt securities subsisting at 31 March 2003 or at any time during the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 31 March 2003

30. POST BALANCE SHEET EVENT

Subsequent to 31 March 2003, the Group obtained a new transferable term loan facility amounting to HK\$288,000,000.

The loan carries interest at prevailing marketing rate and is repayable by quarterly instalments over a period of 3.5 years. The proceeds will be used to finance the acquisition of property, plant and equipment and for general corporate funding requirements.