

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 ("SSAPs") 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 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 33:	Discontinued operations
SSAP 34 (revised):	Employee benefits

The adoption of these new or revised standards in the Group's accounting policies has no material effect on the Group's accounts for the year ended 31 March 2003, other than changes in respect of the presentation of the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement.

(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 directly or indirectly 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 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 any related accumulated exchange fluctuation reserve.

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.

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

(e) Goodwill / negative goodwill (continued)

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 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.

(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.

Notes to the Accounts

(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, cash investments with a maturity of three months or less from date of investment, 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 recoverable 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 balance sheet of other subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies is translated at the rate of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves. In prior years, the profit and loss account of these foreign enterprises was translated at closing rate. This is a change in accounting policy. However, the translation of the profit and loss of these foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(r) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and statutory long service payments are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. 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.

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:

	2003 HK\$'000	2002 HK\$'000
Turnover		
Textiles and clothing	741,641	693,432
Dividend income from		
Listed investments	10,070	11,104
Unlisted investments	452	1,265
Others	<u>11,035</u>	<u>12,014</u>
	<u>763,198</u>	<u>717,815</u>
Other revenues		
Rental income from other properties less outgoings	2,163	1,302
Interest income	<u>5,108</u>	<u>15,384</u>
	<u>7,271</u>	<u>16,686</u>
Total revenues	<u>770,469</u>	<u>734,501</u>

The Group's main business segments and geographical areas of operations are set out below:

- Textiles and clothing – manufacturing and trading of textiles and clothing in Hong Kong, North America, Europe, Asia and other countries.
- Investments – holding of unlisted investments in associated companies, jointly controlled entities and investment securities covering a variety of businesses mainly in Hong Kong and Mainland China, and holding of listed securities in Hong Kong and North America.

Other operations of the Group comprise mainly provision of decoration and installation of television broadcasting systems, neither of which is of a sufficient scale of operation to be reported separately.

There are no material sales or other transactions between the business segments and geographical segments.

2. Turnover, revenue and segment information (continued)

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

Primary reporting format - business segments

	Year ended 31 March 2003			
	Textiles and clothing HK\$'000	Investments HK\$'000	Others HK\$'000	Group HK\$'000
Turnover	<u>741,641</u>	<u>10,522</u>	<u>11,035</u>	<u>763,198</u>
Segment results	<u>52,370</u>	<u>(1,618)</u>	<u>(1,747)</u>	49,005
Unallocated income less expenses				(4,109)
Profit on disposal of land and buildings	1,756	—	—	1,756
Loss on disposal of associated companies				(334)
Operating profit before interest				46,318
Interest income less finance costs				443
Operating profit				46,761
Share of profits less losses of				
Associated companies	(15,791)	18,597	—	2,806
Jointly controlled entities	1,226	832	—	2,058
Profit before taxation				51,625
Taxation				(8,623)
Profit after taxation				43,002
Minority interests				(411)
Profit attributable to shareholders				<u>42,591</u>
Segment assets	595,574	238,697	18,709	852,980
Investments in associated companies	31,872	51,409	—	83,281
Investments in jointly controlled entities	22,484	124,718	—	147,202
Unallocated assets				827
Total assets				<u>1,084,290</u>
Segment liabilities	124,724	1,864	10,138	136,726
Unallocated liabilities				163,422
Minority interest				2,608
Total liabilities				<u>302,756</u>
Capital expenditure	7,827	—	728	8,555
Depreciation	18,851	16	462	19,329
Impairment charge	1,886	—	—	1,886

Notes to the Accounts

2. Turnover, revenue and segment information (continued)

Primary reporting format - business segments (continued)

	Year ended 31 March 2002			
	Textiles and clothing HK\$'000	Investments 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				<u>708</u>
Total assets				<u>1,071,205</u>
Segment liabilities	134,358	315	11,882	146,555
Unallocated liabilities				149,279
Minority interest				<u>2,197</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

Notes to the Accounts

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2003 HK\$'000	2002 HK\$'000
Crediting:		
Profit on disposal of land and buildings	1,756	8,042
Profit on disposal of subsidiaries	—	486
Profit on disposal of investment securities	—	752
Realised gain on disposal of other investments	1,227	7,572
Write back of provision for inventories	310	5,200
Exchange gain	<u>4,952</u>	<u>—</u>
Charging:		
Cost of inventories sold	593,886	561,057
Depreciation of fixed assets	19,329	18,598
Impairment of land and buildings	1,886	3,098
Loss on disposal of other fixed assets	449	2,336
Loss on disposal of associated companies	334	9,331
Loss on disposal of investment securities	2,192	—
Provision for investment securities	1,393	13,010
Unrealised loss on other investments	9,413	9,394
Staff costs, including Directors' emoluments (<i>Note 6</i>)	172,566	154,828
Operating leases rental in respect of land and buildings	1,950	3,020
Auditors' remuneration	1,664	1,988
Exchange loss	<u>—</u>	<u>1,127</u>

4. Directors' and senior management's emoluments

(a) Directors' emoluments

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

	2003 HK\$'000	2002 HK\$'000
Fees	297	352
Other emoluments:		
Salaries	6,603	6,008
Bonuses	5,001	5,415
Contribution to provident fund	44	78
	<u>11,945</u>	<u>11,853</u>

Directors' fees disclosed above include HK\$162,000 (2002: HK\$216,000) 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	
	2003	2002
HK\$Nil – HK\$1,000,000	6	7
HK\$1,000,001 – HK\$1,500,000	1	3
HK\$1,500,001 – HK\$2,000,000	3	2
HK\$2,000,001 – HK\$2,500,000	2	1
	<u>12</u>	<u>13</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year were Directors of the Company (2002: four) and whose emoluments are disclosed above. The remuneration of the other individual in 2002 was as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries	—	996
Bonuses	—	350
Contribution to provident fund	—	29
	<u>—</u>	<u>1,375</u>

Notes to the Accounts

5. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest expense		
Bank loans and overdrafts	4,452	7,253
Other loans wholly repayable within five years	213	292
	<u>4,665</u>	<u>7,545</u>

6. Staff costs, including Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Wages and salaries		
Included in inventories and cost of inventories sold	91,331	78,599
Others	70,141	70,917
	<u>161,472</u>	149,516
Termination benefits paid	2,494	1,809
Retirement benefits costs	3,352	3,503
Provision for long service payments	5,248	—
	<u>172,566</u>	<u>154,828</u>

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. 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.

Contributions totaling HK\$102,000 (2002: HK\$144,000) were payable to the schemes at the end of the year and are included in creditors and accruals.

7. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 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.

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

	2003 HK\$'000	2002 HK\$'000
The Company and its subsidiaries:		
Hong Kong profits tax	3,835	3,640
Overseas taxation	923	2,964
Deferred taxation (Note 27)	581	(627)
	<u>5,339</u>	<u>5,977</u>
Share of taxation attributable to:		
Associated companies	2,851	3,503
Jointly controlled entities	433	321
	<u>3,284</u>	<u>3,824</u>
	<u>8,623</u>	<u>9,801</u>

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

Provision for long service payments	(158)	173
Tax losses	1,329	(1,771)
	<u>1,171</u>	<u>(1,598)</u>

8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$42,811,000 (2002: HK\$150,123,000).

9. Dividends

	2003 HK\$'000	2002 HK\$'000
Interim dividend, paid, of HK\$0.05 (2002: HK\$0.05) per share	12,984	12,984
Special dividend, paid, HK\$Nil (2002: HK\$0.65) per share	—	168,796
Final dividend, proposed, of HK\$0.08 (2002: HK\$0.08) per share	<u>20,775</u>	<u>20,775</u>
	<u>33,759</u>	<u>202,555</u>

At a meeting held on 10 July 2003, the Directors of the Company recommended a final dividend of HK\$0.08 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2004.

10. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$42,591,000 (2002: HK\$37,641,000) and 259,685,289 (2002: 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 2003 (2002: Nil).

11. Related party and connected transactions

- (a) 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:

	2003 HK\$'000	2002 HK\$'000
Rental and storage expenses paid to Winsor Properties Holdings Limited ("WPHL") Group	2,614	4,772
Rental income charged to WPHL Group	1,712	1,698
Reimbursement of administrative expenses from WPHL Group	2,535	4,226
Reimbursement of administrative expenses from associated companies	877	945
Purchases from associated companies	8,953	15,136
Sales to associated companies	13,291	9,660
Contracting fee paid to jointly controlled entities	2,358	2,358
Interest received from jointly controlled entities	—	5,989

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.

- (b) PCD Broadcast Engineering Limited ("PCD") is owned as to 60% by the Group and 40% by an independent third party. Trade financing facilities to the extent of HK\$16,200,000 granted under normal commercial terms by a bank to PCD were secured by a joint and several guarantee issued by the Company and the independent third party. There were no amounts outstanding under the said facilities as at 31 March 2003. The independent third party and all its directors have jointly and severally provided a deed of indemnity to indemnify the Company to the extent of 40% of the guaranteed liability of PCD. The issue of the said guarantee by the Company constituted a Connected Transaction as defined under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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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 2002	208,255	115,745	40,933	364,933	152
Translation differences	(71)	(75)	2	(144)	—
Additions	—	6,391	2,164	8,555	—
Disposals	(3,815)	(6,693)	(1,045)	(11,553)	—
At 31 March 2003	<u>204,369</u>	<u>115,368</u>	<u>42,054</u>	<u>361,791</u>	<u>152</u>
Accumulated depreciation					
At 1 April 2002	67,743	67,687	25,628	161,058	107
Translation differences	(20)	(45)	4	(61)	—
Charge for the year	6,396	9,303	3,630	19,329	16
Impairment charge	1,886	—	—	1,886	—
Disposals	(1,831)	(3,440)	(732)	(6,003)	—
At 31 March 2003	<u>74,174</u>	<u>73,505</u>	<u>28,530</u>	<u>176,209</u>	<u>123</u>
Net book value					
At 31 March 2003	<u>130,195</u>	<u>41,863</u>	<u>13,524</u>	<u>185,582</u>	<u>29</u>
At 31 March 2002	<u>140,512</u>	<u>48,058</u>	<u>15,305</u>	<u>203,875</u>	<u>45</u>
Analysis of cost or valuation:					
At professional valuation in 1975 and earlier	15,098	—	—	15,098	—
At cost	189,271	115,368	42,054	346,693	152
	<u>204,369</u>	<u>115,368</u>	<u>42,054</u>	<u>361,791</u>	<u>152</u>

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Held in Hong Kong:		
On long-term leases	26,188	27,282
On medium-term leases	36,133	37,327
Held outside Hong Kong:		
Freehold	4,527	5,197
On long-term leases	—	676
On medium-term leases	63,347	70,030
	<u>130,195</u>	<u>140,512</u>

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\$7,777,000 (2002: HK\$7,960,000) but would have been HK\$2,115,000 (2002: HK\$2,237,000) had they been stated at cost less accumulated depreciation.

13. Subsidiaries

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares – at cost	249,742	249,742
Loans and amounts due from subsidiaries	<u>275,791</u>	<u>266,723</u>
	<u>525,533</u>	<u>516,465</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 39 to 40.

14. Associated companies

	Group	
	2003	2002
	HK\$'000	HK\$'000
Group's share of net (liabilities)/assets	(7,005)	1,752
Loans and amounts due from associated companies	90,379	87,113
Amount due to an associated company	<u>(93)</u>	<u>(92)</u>
	<u>83,281</u>	<u>88,773</u>
Investments at cost – unlisted shares	<u>31,869</u>	<u>32,202</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 41.

15. Jointly controlled entities

	Group	
	2003	2002
	HK\$'000	HK\$'000
Group's share of net assets	135,171	141,808
Loans and amounts due from jointly controlled entities	15,321	11,028
Amount due to a jointly controlled entity	<u>(3,290)</u>	<u>—</u>
	<u>147,202</u>	<u>152,836</u>
Investments at cost – unlisted shares	<u>172,307</u>	<u>174,142</u>

Loans and amounts due from and due to 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 41.

Notes to the Accounts

16. Investment securities

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted equity investments – at cost	12,896	23,329
Loans due from unlisted equity investments	159,810	164,010
Provision	<u>(69,862)</u>	<u>(72,540)</u>
	<u>102,844</u>	<u>114,799</u>
Equity investments listed in Hong Kong – at cost	60,049	60,049
Provision	<u>(15,568)</u>	<u>(14,011)</u>
	<u>44,481</u>	<u>46,038</u>
	<u>147,325</u>	<u>160,837</u>
Market value of listed equity investments	<u>324,631</u>	<u>314,501</u>

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

17. Inventories

	Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	58,832	67,459
Work in progress	33,065	27,646
Finished goods	5,004	5,982
Stores	<u>9,414</u>	<u>1,934</u>
	<u>106,315</u>	<u>103,021</u>

At 31 March 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK\$4,580,000 (2002: HK\$3,220,000).

18. Debtors and other receivables

Trade debtors are included under debtors and other receivables. 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	
	2003 HK\$'000	2002 HK\$'000
Current – 30 days	51,267	49,657
31 – 60 days	12,954	6,199
Over 60 days	<u>6,985</u>	<u>6,061</u>
	<u>71,206</u>	<u>61,917</u>

19. Other investments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Equity securities:		
Listed in Hong Kong	5,865	123
Listed outside Hong Kong	53,202	50,833
Market linked deposits	15,015	—
Managed funds	4,299	9,133
Market value	<u>78,381</u>	<u>60,089</u>

20. Creditors and accruals

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current – 30 days	33,124	33,827
31 – 60 days	3,170	4,323
Over 60 days	11,214	11,257
	<u>47,508</u>	<u>49,407</u>

21. Bank loans and overdrafts

	Group	
	2003	2002
	HK\$'000	HK\$'000
Unsecured, repayable on demand or within one year	162,272	158,676
Current portion of long term bank loans (<i>Note 25</i>)	760	—
	<u>163,032</u>	<u>158,676</u>

22. Share capital

	Ordinary shares of HK\$0.50 each	
	No. of shares	HK\$'000
Authorised:		
At 31 March 2002 and 2003	<u>600,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31 March 2002 and 2003	<u>259,685,289</u>	<u>129,843</u>

Notes to the Accounts

23. Reserves

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 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 31 March	<u>11,845</u>	<u>11,845</u>	<u>—</u>	<u>—</u>
Capital reserve				
At 1 April of the previous year	26,878	61,993	17,966	17,966
Transfer to retained earnings on disposal of associated companies	—	(34,658)	—	—
Realised on disposal of associated companies	<u>—</u>	<u>(457)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>26,878</u>	<u>26,878</u>	<u>17,966</u>	<u>17,966</u>
Exchange fluctuation account				
At 1 April of the previous year	6,979	16,325	—	—
Realised on disposal of subsidiaries and associated companies	—	9,530	—	—
Arising from translation of accounts	(472)	(5,954)	—	—
Written back from retained earnings	<u>(7,141)</u>	<u>(12,922)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>(634)</u>	<u>6,979</u>	<u>—</u>	<u>—</u>
	<u>367,342</u>	<u>374,955</u>	<u>324,952</u>	<u>324,952</u>

Group

2003
HK\$'000

2002
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	1,651
Exchange fluctuation account	<u>11,334</u>	<u>12,108</u>
	<u>28,917</u>	<u>29,691</u>

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

Exchange fluctuation account	<u>1,184</u>	<u>1,212</u>
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24. Retained earnings

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1 April of the previous year	268,376	372,725	60,997	100,444
Profit for the year	42,591	37,641	42,811	150,123
Prior year final dividend paid	(20,775)	(7,790)	(20,775)	(7,790)
Interim dividend paid (<i>Note 9</i>)	(12,984)	(12,984)	(12,984)	(12,984)
Special dividend paid (<i>Note 9</i>)	—	(168,796)	—	(168,796)
Transfer from capital reserve on disposal of associated companies	—	34,658	—	—
Write back of exchange fluctuation account	7,141	12,922	—	—
At 31 March	<u>284,349</u>	<u>268,376</u>	<u>70,049</u>	<u>60,997</u>
Represented by:				
Retained earnings	263,574	247,601	49,274	40,222
Final dividend proposed (<i>Note 9</i>)	20,775	20,775	20,775	20,775
	<u>284,349</u>	<u>268,376</u>	<u>70,049</u>	<u>60,997</u>

	Group	
	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries	357,232	327,120
Associated companies	(59,079)	(51,434)
Jointly controlled entities	<u>(13,804)</u>	<u>(7,310)</u>
	<u>284,349</u>	<u>268,376</u>
Profit for the year retained by:		
Company and subsidiaries	22,971	(170,514)
Associated companies	(7,645)	910
Jointly controlled entities	<u>(6,494)</u>	<u>4,690</u>
	<u>8,832</u>	<u>(164,914)</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 2003 amounted to HK\$70,049,000 (2002: HK\$60,997,000).

25. Long term bank loans

	Group	
	2003 HK\$'000	2002 HK\$'000
Unsecured, wholly repayable within five years	3,331	—
Less: Amount repayable within one year included under current liabilities (<i>Note 21</i>)	<u>(760)</u>	<u>—</u>
	<u>2,571</u>	<u>—</u>
The bank loans are repayable as follows:		
Within one year	760	—
In the second year	795	—
In the third to fifth years inclusive	<u>1,776</u>	<u>—</u>
	<u>3,331</u>	<u>—</u>

Notes to the Accounts

26. Provision for long service payments

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1 April of the previous year	26,204	26,204	—	—
Additional provisions	5,248	—	200	—
Less: Amounts utilized	<u>(4,846)</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March	<u>26,606</u>	<u>26,204</u>	<u>200</u>	<u>—</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.

27. Deferred taxation

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1 April of the previous year	229	856	5	2
Transfer from/(to) profit and loss account (<i>Note 7</i>)	<u>581</u>	<u>(627)</u>	<u>(2)</u>	<u>3</u>
At 31 March	<u>810</u>	<u>229</u>	<u>3</u>	<u>5</u>
Arising from:				
Accelerated depreciation allowances	1,282	767	3	5
Unrelieved tax losses	—	(4)	—	—
Other timing differences	<u>(472)</u>	<u>(534)</u>	<u>—</u>	<u>—</u>
	<u>810</u>	<u>229</u>	<u>3</u>	<u>5</u>
The potential deferred tax asset which has not been accounted for amounts to:				
Provision for long service payments	574	416	—	—
Unrelieved tax losses	<u>19,177</u>	<u>20,506</u>	<u>—</u>	<u>—</u>
	<u>19,751</u>	<u>20,922</u>	<u>—</u>	<u>—</u>

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

28. Capital commitments

The Group and the Company did not have material capital commitments at 31 March 2003 (2002: HK\$Nil).

29. Lease commitments

	Group	
	2003 HK\$'000	2002 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	1,588	1,631
Later than one year and not later than five years	<u>654</u>	<u>711</u>
	<u>2,242</u>	<u>2,342</u>

30. Future lease receipts

	Group	
	2003 HK\$'000	2002 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	198	681
Later than one year and not later than five years	<u>132</u>	<u>—</u>
	<u>330</u>	<u>681</u>

31. Contingent liabilities

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bills discounted with recourse	4,729	7,562	—	—
Guarantees given in respect of banking facilities granted to:				
Subsidiaries	—	—	753,341	853,341
Associated companies and a jointly controlled entity	31,850	21,850	30,850	20,850
Other investments, in proportion to the Group's equity interests in such companies	<u>14,038</u>	<u>14,038</u>	<u>14,038</u>	<u>14,038</u>
	<u>50,617</u>	<u>43,450</u>	<u>798,229</u>	<u>888,229</u>

Notes to the Accounts

32. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

	2003 HK\$'000	2002 HK\$'000
Operating profit	46,761	24,250
Depreciation	19,329	18,598
Profit on disposal of fixed assets	(1,307)	(5,706)
Impairment of land and buildings	1,886	3,098
Profit on disposal of subsidiaries	—	(486)
Loss on disposal of associated companies	334	9,331
Loss/(gain) on disposal of investment securities	2,192	(752)
Provision for investment securities	1,393	13,010
Interest income	(5,108)	(15,384)
Interest expenses	4,665	7,545
Exchange translation differences	(8,852)	(6,736)
Operating profit before working capital changes	61,293	46,768
Increase in inventories	(3,294)	(6,903)
(Increase)/decrease in debtors and other receivables	(15,307)	15,884
(Increase)/decrease in other investments	(18,292)	11,969
Decrease in creditors and accruals	(6,260)	(10,896)
Increase in provision for long service payments	402	—
Cash generated from operations	<u>18,542</u>	<u>56,822</u>

(b) Analysis of changes in financing

	Minority interests		Bank loans	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1 April of the previous year	2,197	2,674	68,000	42,000
Capital contribution	—	500	—	—
Minority interests in share of profits	411	(977)	—	—
Cash (outflow)/inflow from financing	—	—	(19,669)	26,000
At 31 March	<u>2,608</u>	<u>2,197</u>	<u>48,331</u>	<u>68,000</u>

(c) Analysis of bank loans

	2003 HK\$'000	2002 HK\$'000
Bank loans and overdrafts (<i>Note 21</i>)	162,272	158,676
Less: Amount included under cash and cash equivalents	(117,272)	(90,676)
	45,000	68,000
Long term bank loans (<i>Note 25</i>)	3,331	—
	<u>48,331</u>	<u>68,000</u>

33. 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.

34. Approval of accounts

The accounts set out on pages 13 to 41 were approved by the Board of Directors on 10 July 2003.