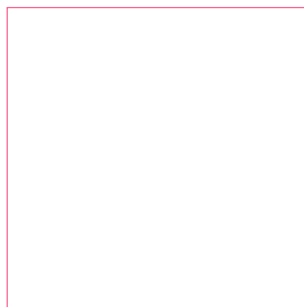


A woman with long dark hair is the central figure, wearing a vibrant floral patterned crop top with long sleeves and a long, flowing purple skirt. She is standing against a warm, golden-brown background. The lighting is dramatic, highlighting the textures of her clothing and her features.

*To become one of the  
World's  
Recognized  
LEADERS  
in fashion apparel*

*Mission  
Statement*

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*Zhejiang Xinchang  
High Fashion  
Silk Co., Ltd.*



*Zhejiang High Fashion  
Kaidi Silk Co., Ltd.*

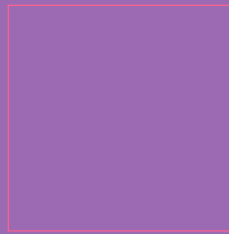


*Hangzhou Dalifu  
Silk Finishing  
Co., Ltd.*



*High Fashion  
Product  
Testing Center  
ISO 9001*





## MANAGING DIRECTOR'S REPORT

I am pleased to report that turnover for the year amounted to HK\$2.3 billion, up 26%. Net profit attributable to you, our shareholders, was HK\$102 million, down 24%, due to HK\$21 million loss of our retail business and a specific provision of HK\$14 million made for phasing out a joint venture garment operation in South China. Basic earnings per share were 32.7 HK cents. The net asset value per share was HK\$1.85, up 12%.

The Board of Directors recommends a final dividend in the form of a scrip dividend of 1 new share for every 20 shares with a conditional cash option of 8 HK cents per share.

### PRIVATE LABEL AND MANUFACTURING OPERATION

We faced fierce competition and price pressure from our customers. Silk yarn price hiked, putting additional strain on our profit margin. Nevertheless, our private label business grew significantly.

We completed the acquisition of a silk printing and dyeing mill in Hangzhou, which is the largest of its kind in China, to support our production and future growth.

Combining the forces of this new mill with our technologically advanced weaving mill and our huge garment production base uniquely positions us as the forerunner in our industry to meet new challenges ahead.

### BRANDED LABELS

August Silk performed well despite the slowdown of US economy.

Theme was radically changed, but it took longer than we expected. We continued to focus our expansion in China, the fastest growing of the world's major economies.

In November 2001, we entered into a joint venture agreement with the Wahaha Group to manufacture and retail Wahaha children and casual wear in China. Wahaha is a well-known Chinese icon for drinks and beverages, with very strong retail network sprawling across China.

### PROSPECTS

2002 will be a very challenging year for the Group. The tough economic conditions in our major markets are expected to prevail for the entire year. Within China, vigorous new private companies are emerging to compete for the already competitive export markets.

We continue to strongly invest in product and technical research to keep us stay ahead, not only quickly meeting demand, but also anticipating it. We have a great team of experts and supporting staff in China who fully understand the intricacies of the fashion business in the US and Europe.

The initiatives we took will enable us to stay competitive and position us well to take advantage of any economic upturn in our markets. We are confident in our long-term growth prospects.

### ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere appreciation of the support from our customers, suppliers and shareholders. I would also thank my fellow directors for their valuable contribution and all the staff members of our Group for their hard and dedicated work throughout the year.

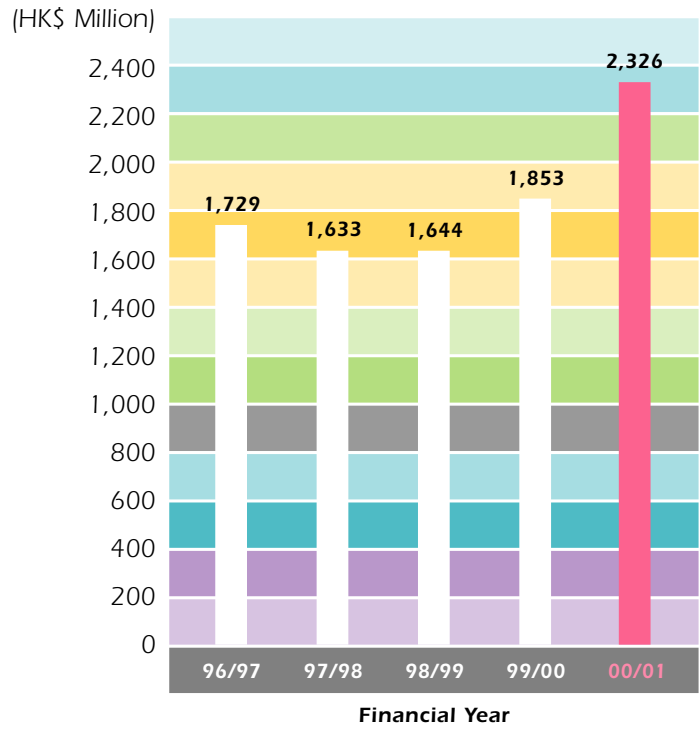
**Lam Foo Wah**

*Managing Director*

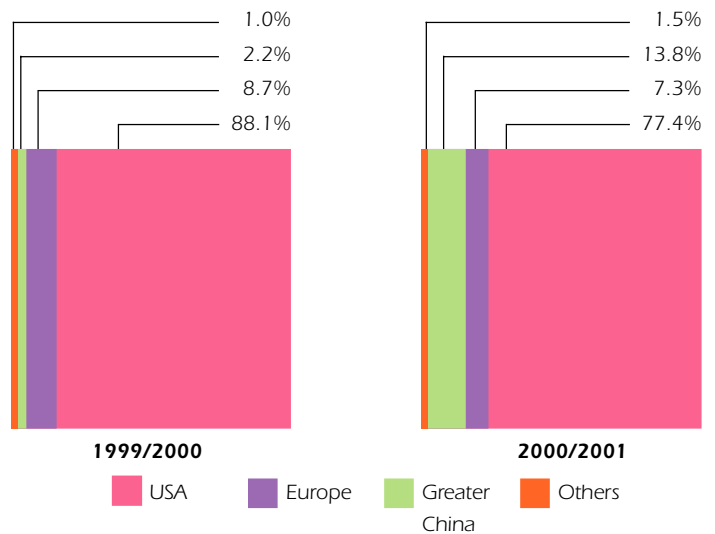
Hong Kong, 14 January 2002

# Financial Highlights

## Group Turnover 2000/2001

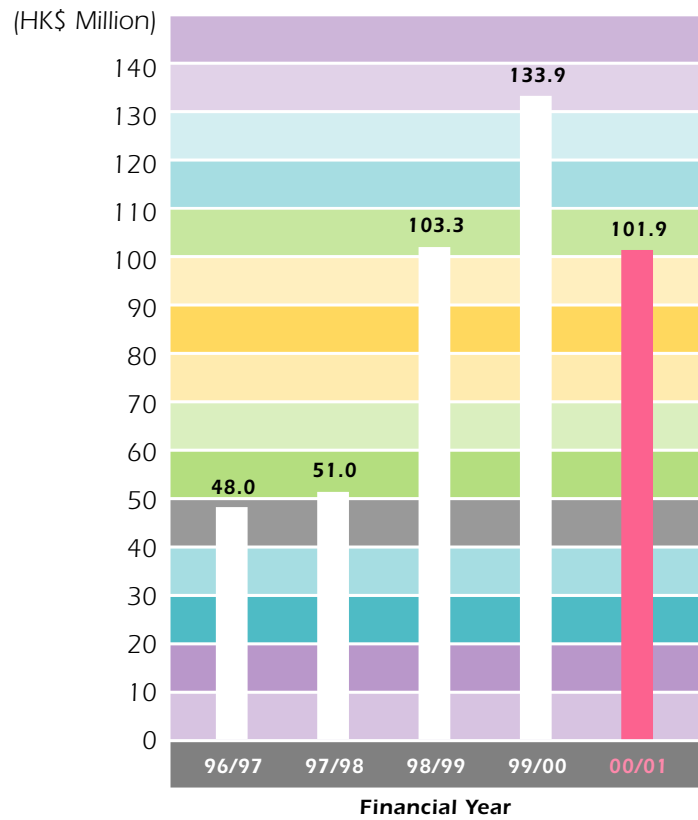


## Group Turnover by Geographical Location

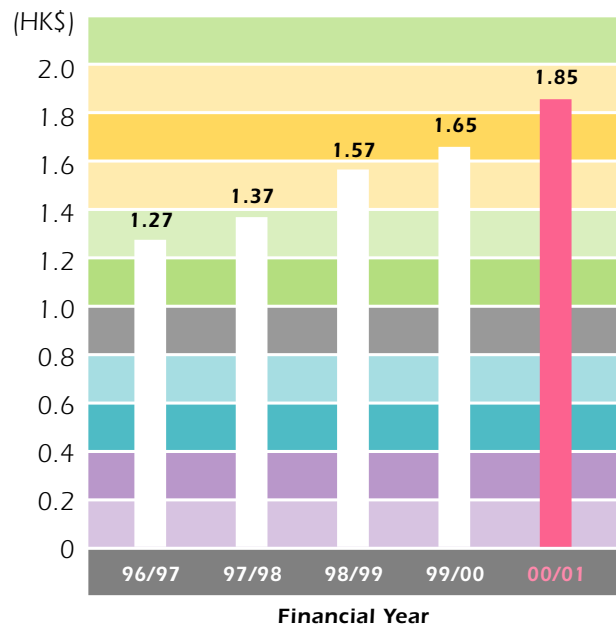


**FINANCIAL HIGHLIGHTS**

Net Profit Attributable  
to Shareholders  
2000/2001



Net Asset per Share  
2000/2001



The world's  
premier producer of  
*Silk and*  
*Silk Blended* apparel





## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

Turnover for the year amounted to HK\$2.3 billion, up 26%. Gross profit percentage was up 1.5% mainly due to consolidating the higher gross profit margin of Theme International Holdings Limited ("Theme").

Profit attributable to you, our shareholders, was HK\$102 million, down 24%, after the consolidation of the loss of HK\$21 million of our retail business and web business development expenses plus a specific provision of HK\$14 million for phasing out a less cost-efficient joint venture garment operation in South China. Basic earnings per share were 32.7 HK cents. The net asset value per share was HK\$1.85, up 12%.

### REVIEW OF OPERATIONS

#### Branded Labels

##### *August Silk*

Despite the economic slowdown in the US, the turnover of August Silk leveled that of last year. August Silk performed well as a result of sharply focused products and customer service provided by us. However, the terrorist attacks of 11 September and the economic downdraft in the US dampened consumer confidence. We are strategically leveraging the design and merchandising human resources of our US and European marketing companies and our technical resources in China to capture fleeting shifts of fashion and to create profitable business opportunities.

##### *Theme*

Since our acquisition of Theme in August 2000, we made drastic changes to improve every aspect of its operations, from business strategies, supply chain operations to logistics. The retail environment in Hong Kong and Taiwan remained weak. We focused our expansion on the fast growing, but competitive, Mainland China market.

##### *U-campus*

U-campus, a fashion line originally to be marketed on the internet, was introduced in January 2001. Due to the generally difficult web business environment in Hong Kong, the web business was put on halt and the operation was being transformed into shop retailing operation.

#### Private Labels and Manufacturing Operations

Despite fierce competition and price pressure from customers, our private label business grew significantly.

The strategic investments we made on acquiring modern weaving machinery and the printing and dyeing plant in Hangzhou began to provide us cost-efficient technological edge.





## MANAGEMENT DISCUSSION AND ANALYSIS

The acquisition of the state-owned minority of our weaving mill and our Hangzhou garment operations allowed us to freely and deeply re-rationalize and delayer the supply chain in our vertically integrated production base.

The economic shocks of the terrorist attacks of 11 September, which tipped the United States into outright recession and rippled the European market, made our business even more challenging. We anticipate the marketplace will remain challenging for the entire year of 2002.

We are making the quickest pace of moving our production in South China to the now more cost-efficient vertically integrated base in Hangzhou to position us competitively to meet any new challenges.

### Segmental Information

	2001		2000		Change %	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000	Turnover	Contribution
USA	1,798,954	137,831	1,632,976	126,969	10	9
Europe	169,015	7,997	160,831	9,655	5	(17)
Greater China	322,072	7,881	41,082	20,097	684	(61)
Others	35,625	4,195	18,018	2,334	98	80
	<b>2,325,666</b>	<b>157,904</b>	1,852,907	159,055	26	(1)
Manufacturing and trading	2,110,344	179,081	1,828,003	162,173	15	10
Retailing	215,322	(21,177)	24,904	(3,118)	765	(579)
	<b>2,325,666</b>	<b>157,904</b>	1,852,907	159,055	26	(1)

The Group's turnover grew by 26% to about HK\$2.3 billion, of which 15% from our core business and 11% from our retail business. Profit contribution from the core business was up 10%. A full year's turnover of Theme was consolidated, compared to only one month's turnover consolidated last year.

Loss from retail business included the operating loss of HK\$7 million of Theme and the balance included principally the operating loss incurred by U-campus for developing its web business.

### Liquidity and Financial Resources

Hangzhou Westlake High Fashion Industry Co., Ltd. ("HZHF") & Zhejiang Xinchang High Fashion Silk Co., Ltd. ("XCHF") had about HK\$158 million Renminbi bank loans at 30 September 2001. These bank borrowings were used entirely for the Group to finance material purchases and subcontracting charges. The Group's total outstanding bank borrowings were approximately HK\$328 million on the same date.

## MANAGEMENT DISCUSSION AND ANALYSIS

To take advantage of the prevailing low interest rate, the Group secured medium term banking facilities of about HK\$200 million. The facilities will be used to replace a portion of the Group's existing trading facilities. HK\$30 million was drawn as of 30 September 2001.

As of 30 September 2001, the Group had bank deposits and balances of HK\$273 million and a listed corporate bond investment of HK\$23 million. The Group had strong liquidity to meet its financial needs.

Gearing ratio of non-current liabilities to shareholders' funds was 4% and the current ratio was 1.4 at 30 September 2001.

The Group's receivables were mainly denominated in US dollars. Bank borrowings were denominated in US dollars or Hong Kong dollars or Renminbi. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal.

Other than trade bills discounted in the ordinary course of business, the Group had no material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK\$95 million, the pledge of machinery of a subsidiary of HK\$17.8 million and a subsidiary's mortgage loan of HK\$2.3 million, there are no other charges on the Group's assets.

### Capital Expenditure & Accounting Impact of Acquisition of Companies

The Group completed its acquisition of Theme in August 2000. The Group also acquired the entire 40% minority interest of HZHF and the entire 30% minority interest of XCHF for a total consideration of about HK\$23 million, making them our wholly owned subsidiaries. As a result of the consolidation of the accounts of Theme, HZHF and XCHF, the base for comparison with that of last year has changed. The following notes are prepared for comparison purposes.

	<b>Selling and distribution expenses</b>	<b>Administrative expenses</b>	<b>Finance costs</b>
	HK\$'000	HK\$'000	HK\$'000
Per accounts	<b>229,035</b>	<b>312,276</b>	<b>37,604</b>
Less: Theme's portion	<b>(90,593)</b>	<b>(36,219)</b>	<b>(2,658)</b>
HZHF's portion	<b>(3,806)</b>	<b>(25,498)</b>	<b>(7,645)</b>
XCHF's portion	<b>(87)</b>	<b>(604)</b>	<b>(300)</b>
2000/2001	<b>134,549</b>	<b>249,955</b>	<b>27,001</b>
Per accounts	130,365	241,019	27,560
Less: Theme's portion	(8,783)	(6,529)	(282)
1999/2000	121,582	234,490	27,278

## MANAGEMENT DISCUSSION AND ANALYSIS

	<b>Fixed assets</b>	<b>Inventories</b>	<b>Bank loans and overdraft (current)</b>
	HK\$'000	HK\$'000	HK\$'000
Per accounts	<b>266,606</b>	<b>302,478</b>	<b>306,284</b>
Less: Theme's portion	<b>(14,372)</b>	<b>(27,890)</b>	<b>(8,219)</b>
HZHF's portion	<b>(60,918)</b>	<b>(58,971)</b>	<b>(134,906)</b>
XCHF's portion	<b>(54,891)</b>	<b>(32,772)</b>	<b>(22,642)</b>
At 30 September 2001	<b>136,425</b>	<b>182,845</b>	<b>140,517</b>
Per accounts	125,581	197,623	89,238
Less: Theme's portion	(17,474)	(31,637)	(3,175)
At 30 September 2000	108,107	165,986	86,063

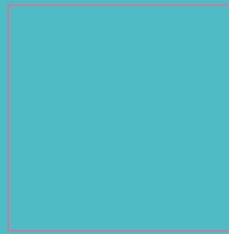
In June 2001, the Group acquired the largest silk printing and dyeing plant in China (High Fashion Kaidi) for about HK\$80 million to support our growth. As mentioned in our previous report, this acquisition will be funded entirely from our internal reserves.

The Group completed the acquisition of the remaining portion of the property of its Headquarters in Hong Kong for HK\$46 million in November 2000, fully funded with its internal reserves.

### General

The total number of employees of the Group including jointly-controlled entities and associates was about 14,000, down 7% from that of last year.





## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of High Fashion International Limited (the "Company") will be held at 10th Floor, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Tuesday, 26 March 2002 at 10:30 a.m. for the following purposes:-

1. To adopt the Audited Financial Statements together with the Report of the Directors and the Report of the Auditors for the year ended 30 September 2001.
2. To declare a scrip dividend of 1 new share for every 20 shares with a conditional cash option of 8 HK cents per share for the year ended 30 September 2001. (if cash option is elected)
3. (a) To elect Directors.  
(b) To authorize Directors to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Board of Directors.
4. To re-appoint Auditors and authorize the Directors to fix their remuneration.

By Order of the Board

**Edwin Lin**

*Company Secretary*

Hong Kong, 14 January 2002

*Notes:*

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, forms of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the head office and principal place of business of the Company at 11th Floor, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
3. The principal and branch registers of members of the Company will be closed from Wednesday, 20 March to Tuesday, 26 March 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrars of the Company, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong by not later than 4:00 p.m. on Tuesday, 19 March 2002.



## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS

**Mr. LAM Foo Wah**, aged 53, is the managing director of the Company and a co-founder of the Group. He is also the executive chairman of Theme International Holdings Limited. He oversees the Group's operations and is responsible for formulating the Group's overall policy and development. He has over 20 years' experience in the manufacturing and marketing of garments.

**Mr. IP Weng Kun**, aged 54, is the deputy managing director of the Company and is principally responsible for the strategic planning of the Group's China core operation, product development, marketing and material sourcing. He joined the Group in 1982.

**Mr. HUI Yip Wing, David**, aged 52, joined the Group in 1996. Mr. Hui is currently the executive director of four other listed companies. He possesses vast operational experience at senior management level, with special emphasis on strategic planning, financial control, re-engineering and total quality management.

**Mr. WONG Shing Loong, Raymond**, aged 52, joined the Group in 1997. He is responsible for the financing, personnel and administration of the Group. Mr. Wong is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. Prior to joining the Group, he had worked as an executive director in a Hong Kong listed company.

**Ms. SO Siu Hang, Patricia**, aged 43, joined the Group in 1990. She is responsible for banking, sales and marketing and policy administration of the Group. She received a bachelor's degree in commerce and finance and a master's degree in business administration from the University of Toronto and York University in Canada respectively. Prior to joining the Group, she had worked for an international bank.

**Mr. Jack WEINSTOCK**, aged 72, joined the Group in 1991. He is the chairman emeritus of August Silk Inc. He has over 30 years' experience in the import, export, marketing and sales of garments. He graduated from Michigan State University with a bachelor's degree in arts. He also holds an honorary Ph.D. in human relations from the Academy of Arts College in San Francisco, California, the USA.



**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT****NON-EXECUTIVE DIRECTORS**

**Mr. POON Hon Kam**, aged 57, is the chairman of the Company and a co-founder of the Group. He had worked as a certified public accountant for over 20 years with an international accounting firm. During his years of service in that international accounting firm, he contributed substantially by building the firm into a major professional international accounting practice in Hong Kong, after which he retired as its senior partner in 1991. He holds a bachelor's degree in economics from the University of London and is a member of the Hong Kong Society of Accountants, Australian Society of Certified Public Accountants and Chartered Institute of Management Accountants.

**Mr. WOO King Wai, David**, aged 57, joined the Group in 1992. He holds a bachelor's degree in architecture (Honours) from the University of California, Berkeley, the USA. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects. He is currently an executive member of the Hainan Political Consultative Conference, the People's Republic of China.

**Mr. CHAN Wah Tip, Michael**, aged 48, joined the Group as a company secretary in 1992 and was appointed as a non-executive director in 1995. He has been practising as a solicitor in Hong Kong for over 20 years and is a partner of Wilkinson & Grist, the legal adviser of the Company.

**SENIOR MANAGEMENT**

**Mr. Louis BREUNING**, aged 46, joined the Group in 1994. He has over 20 years' experience in the knit, dress & sportswear industry and is the president of August Silk Inc.. He graduated from St. John University in New York, the USA with a bachelor's degree in business.

**Mr. CHAN Chun Man, Benedict**, aged 47, is the chairman of August Silk Inc. and High Fashion International (USA) Inc.. He is responsible for overseeing the Group's investments in the USA. He graduated from the University of Hong Kong with a bachelor's degree in economics and pure mathematics. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the American Institute of Certified Public Accountants. Mr. Chan joined the Group in 1992.

**Mr. CHU Dom Lam**, aged 49, joined the Group in 1980. He is a director of High Fashion Garments Company Limited and is responsible for the management of the Group's garment manufacturing operations in the People's Republic of China.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. FEI Jian Ming**, aged 49, is a director of High Fashion Garments Company Limited and the general manager of Hangzhou Westlake High Fashion Industry Co., Ltd. He joined the Group in 1993. He graduated from Zhejiang University and holds a master degree in business administration. He is a part-time professor of Zhejiang Engineering Institution and the vice-chairman of Hangzhou Garments Association. He has over 20 years' management experience in clothing industry.

**Ms. HU Ze Lin**, aged 51, is a deputy general manager of Zhejiang Xinchang High Fashion Silk Co., Ltd. She is responsible for the production of that company. She joined the Group in 1993. She got the title of Economist in China. She has over 20 years' experience in textile industry with good experience in quality control in silk weaving production management.

**Ms. LEUNG Suk Yin, Hilda**, aged 45, has been with the Group since its inception. She holds a diploma in business management from the Hong Kong Polytechnic University and the Hong Kong Management Association. She has over 20 years' experience in the sales and merchandising of garments in Hong Kong and is a director of High Fashion Garments Company Limited.

**Mr. LIN Ping**, aged 41, is a deputy general manager of Zhejiang Xinchang High Fashion Silk Co., Ltd. He is responsible for the operation and administration of that company. He joined the Group in 1993. He got the title of Economist in China. He has over 20 years' experience in textile industry with wide experience in product design and development, silk weaving production and management.

**Mr. LIN Yuet Man, Edwin**, aged 40, joined the Group in 1997. He is the company secretary of the Company and a director of High Fashion Garments Management Limited. He has over 20 years' experience in accounting field. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries & Administrators. He also holds a master's degree in business administration.

**Mr. Fritz PENWELL**, aged 62, is the president of High Fashion Garments, Inc., and holds a master's degree in industrial psychology. He has over 30 years' experience in importing, sales and marketing in the fashion industry both in the USA and overseas. He was a principal in several New York knitwear and California/Japanese sportswear companies. He joined the Group in 1994.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

**Mr. RUAN Gen Yao**, aged 41, is the general manager of Hangzhou Dalifu Silk Finishing Co., Ltd. He is responsible for the operation of that company. He joined the group in 2001. He got the title of Politician Engineer in China and being Labour Model of Hangzhou, China. He has over 10 years' experience in silk finishing and dyeing with good experience in business management and silk finishing and dyeing.

**Mr. SHING Ngai**, aged 48, is the general manager of Honghuali Garments Accessory (Shenzhen) Co., Ltd. and Fuli Garments (Hangzhou) Co., Ltd. He joined the Group in 1990. He graduated from Hangzhou Television and Broadcasting University in business management and language and he got the title of Economist in China. He has over 10 years' experience in the clothing industry.

**Ms. WONG Man Lui, Endora**, aged 46, joined the Group in 1991. She has over 20 years' experience in the sales and merchandising of garments. She is a director of High Fashion Knitwear Overseas Limited and is responsible for the development of knit product, sample operation, management of all the knit garments and for the Group's China operation.

**Mr. WONG Wai Kuen, Henry**, aged 45, joined the Group in 2000. He is a director of High Fashion Garments Management Limited and is mainly responsible for banking, investor relations, human resources and administration of the Group. Prior to joining the Group, he had worked for an international bank for more than 20 years.

**Mr. Nicholas E. G. WRIGHT**, aged 47, joined the Group in 1993. He is the managing director of High Fashion (U.K.) Limited. He has over 15 years' experience in the clothing industry.

**Mr. YE Rongsheng**, aged 55, is an assistant to the managing director and China president of High Fashion Group. Mr. Ye joined the Group in 1990. He graduated from Zhejiang Industrial Institute, Shanghai Economic and Trading University and Hangzhou University. He got the title of Economist in China and he had worked for Hangzhou Government.

**Mr. ZHANG Shan Pu**, aged 46, is the general manager of Suzhou High Fashion Garment Co., Ltd. He is responsible for the operation of that company. He joined the Group in 1999. He graduated from an institution and has over 10 years' experience in silk knitting garments management with good experience in business management and silk knitting production.

**Mr. ZHU Jian Ping**, aged 41, is the general manager of Zhejiang Xinchang High Fashion Silk Co., Ltd. He joined the Group in 1993. He got the title of Economist in China. He has over 20 years' experience in textile industry with wide experience in silk weaving production and management.

## Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 September 2001.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements.

There were no changes in the nature of the Group's principal activities during the year.

### **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 30 September 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 76.

An interim dividend of 7 HK cents per ordinary share was paid on 9 July 2001.

The directors recommend in the form of a scrip dividend of 1 new share for every 20 shares to shareholders on the register of members on 26 March 2002 with a conditional option of 8 HK cents per ordinary share to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such entitlement. The total cash alternative to which shareholders are entitled is HK\$24,955,000, which has been deducted from the profit for the year. This recommendation has been incorporated in the financial statements.

### **FINANCIAL INFORMATION SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 77. This summary is not part of the audited financial statements.

### **SEGMENT INFORMATION**

Details of the Group's turnover and contribution to profit from operating activities are set out in note 4 to the financial statements.

### **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets and investment properties of the Group are set out in notes 14 and 15 to the financial statements, respectively.

## REPORT OF THE DIRECTORS

### **SUBSIDIARIES**

Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

### **JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES**

Particulars of the Group's interests in its jointly-controlled entities and principal associates are set out in notes 17 and 18 to the financial statements, respectively.

### **BORROWINGS**

Details of the Group's borrowings are set out in notes 23 to 25 to the financial statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 28 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year, the Company repurchased 412,000 shares on The Stock Exchange of Hong Kong Limited and these shares were all subsequently cancelled by the Company. Further details of these transactions are set out in note 28 to the financial statements. Except as disclosed in note 28 to the financial statements, the Company did not redeem any of its listed securities and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

### **RESERVES**

Details of movements in the reserves of the Company and the Group are set out in note 29 to the financial statements.

### **DISTRIBUTABLE RESERVES**

At 30 September 2001, the Company's reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended), amounted to HK\$140,073,000. In addition, the Company's share premium account, in the amount of HK\$275,941,000, may be distributed in the form of fully paid bonus shares.

## REPORT OF THE DIRECTORS

**CHARITABLE CONTRIBUTIONS**

During the year, the Group made charitable contributions totalling HK\$583,000.

**MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for 39% of the total sales for the year and sales to the largest customer included therein amounted to 9%. Purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

**DIRECTORS**

The directors of the Company during the year and up to the date of this report were:

**Executive directors:**

Lam Foo Wah  
Ip Weng Kun  
Hui Yip Wing, David  
Wong Shing Loong, Raymond  
So Siu Hang, Patricia  
Jack Weinstock

**Non-executive directors:**

Poon Hon Kam  
Woo King Wai, David (independent director)  
Chan Wah Tip, Michael (independent director)

In accordance with the Company's bye-laws, Messrs. Ip Weng Kun and Chan Wah Tip, Michael will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## REPORT OF THE DIRECTORS

### **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 18.

### **EMOLUMENTS OF DIRECTORS AND OF THE FIVE HIGHEST PAID EMPLOYEES**

Details of the emoluments of the directors of the Company and those of the five highest paid employees of the Group are set out in notes 8 and 9 to the financial statements, respectively.

### **DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Mr. Chan Wah Tip, Michael, a director of the Company, was interested in contracts for the provision of secretarial and legal advisory services to the Group. Further details of the transactions undertaken in connection therewith are included in note 34 to the financial statements. Save for the foregoing, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## REPORT OF THE DIRECTORS

**DIRECTORS' INTERESTS IN SHARES**

At 30 September 2001, the interests of the directors in the share capital of the Company and its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

**(i) The Company**

Name of director	Notes	Number of ordinary shares held and nature of interest		
		Personal	Family	Other
Poon Hon Kam	1,5	–	–	59,269,074
Lam Foo Wah	2,3,5	–	–	109,026,655
Ip Weng Kun	4,5	–	–	33,492,198
So Siu Hang, Patricia		1,436,961	–	–
Hui Yip Wing, David		–	2,652,007	–
Wong Shing Loong, Raymond		2,500,000	–	–
Jack Weinstock		932,000	–	–

**(ii) Subsidiary – High Fashion Knitters Limited**

Name of director	Note	Nature of interest	Number of ordinary shares held
Lam Foo Wah	6	Corporate	5,339,431

Notes:

- Mr. Poon Hon Kam is deemed to have an interest in 31,404,724 ordinary shares which are beneficially owned by Excel Investments Ltd., the entire issued share capital of which is held under a related discretionary trust.
- Mr. Lam Foo Wah is deemed to have an interest in 10,164,569 ordinary shares which are beneficially owned by Annick Investment Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Lam Foo Wah is deemed to have an interest in 70,997,736 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 ordinary shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust.



**REPORT OF THE DIRECTORS****DIRECTORS' INTERESTS IN SHARES (Continued)**

Notes: (Continued)

5. Messrs. Poon Hon Kam, Lam Foo Wah and Ip Weng Kun are deemed to have interests in 27,864,350 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust.
6. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

The interests of the directors in the share options of the Company are separately disclosed in the section "Directors' rights to acquire shares".

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company, its subsidiaries or any of its associated corporations as defined in the SDI Ordinance.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

<b>Name of director</b>	<b>Number of share options outstanding at 30 September 2000 and 2001</b>	<b>Exercise price of share options HK\$</b>
Lam Foo Wah	3,800,000	0.505
Ip Weng Kun	1,500,000	0.505
So Siu Hang, Patricia	1,200,000	0.505
Wong Shing Loong, Raymond	1,000,000	0.505
Jack Weinstock	500,000	0.505
	8,000,000	

Note: 40% of the options granted are exercisable during the period from 5 May 2002 to 4 May 2009, 30% of the options granted are exercisable during the period from 5 May 2003 to 4 May 2009 and the remaining 30% are exercisable during the period from 5 May 2004 to 4 May 2009.

## REPORT OF THE DIRECTORS

**DIRECTORS' RIGHTS TO ACQUIRE SHARES (Continued)**

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are set out in note 28 to the financial statements.

**SUBSTANTIAL SHAREHOLDERS**

At 30 September 2001, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>%</b>
Hinton Company Limited	70,997,736	about 23
Excel Investments Ltd.	31,404,724	about 10

These interests have also been disclosed as the interests of Messrs. Lam Foo Wah and Poon Hon Kam under the section "Directors' interests in shares".

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares", had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

**RETIREMENT BENEFITS SCHEME**

Details of the retirement benefits scheme of the Group and the employer's retirement benefits costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

**REPORT OF THE DIRECTORS****AUDIT COMMITTEE**

The audit committee has reviewed with the auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited final results.

**CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

**AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Lam Foo Wah**

Managing Director

Hong Kong

14 January 2002

# Report of the Auditors



To the members

## **High Fashion International Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 28 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **ERNST & YOUNG**

*Certified Public Accountants*

Hong Kong  
14 January 2002

# Consolidated Profit and Loss Account

Year ended 30 September 2001

	Notes	2001 HK\$'000	2000 HK\$'000
<b>TURNOVER</b>	5	<b>2,325,666</b>	1,852,907
Cost of sales		<b>(1,656,376)</b>	(1,346,723)
Gross profit		<b>669,290</b>	506,184
Other revenue		<b>29,925</b>	24,255
Selling and distribution expenses		<b>(229,035)</b>	(130,365)
Administrative expenses		<b>(312,276)</b>	(241,019)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	6	<b>157,904</b>	159,055
Finance costs	7	<b>(37,604)</b>	(27,560)
Provision against an amount due from a jointly-controlled entity		<b>(14,003)</b>	–
Share of profits less losses of:			
Jointly-controlled entities		<b>1,182</b>	5,642
Associates		<b>2,009</b>	938
<b>PROFIT BEFORE TAX</b>		<b>109,488</b>	138,075
Tax	10	<b>(6,892)</b>	(3,544)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>102,596</b>	134,531
Minority interests		<b>(716)</b>	(648)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	11	<b>101,880</b>	133,883
Dividends	12	<b>(46,789)</b>	(61,274)
<b>RETAINED PROFIT FOR THE YEAR</b>		<b>55,091</b>	72,609
<b>EARNINGS PER SHARE</b>	13		
Basic		<b>32.7 cents</b>	41.7 cents
Diluted		<b>31.6 cents</b>	40.6 cents

# Consolidated Statement of Recognised Gains and Losses

Year ended 30 September 2001

	<i>Notes</i>	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Revaluation surplus on investment properties	29	<b>213</b>	–
Exchange differences on translation of the financial statements of foreign entities	29	<b>935</b>	1,642
Net gains not recognised in the profit and loss account		<b>1,148</b>	1,642
Net profit for the year attributable to shareholders		<b>101,880</b>	133,883
Total recognised gains and losses		<b>103,028</b>	135,525
Capital reserve/(goodwill) credited to/ (eliminated against) reserves	29	<b>5,330</b>	(58,671)
		<b>108,358</b>	76,854

# Consolidated Balance Sheet

30 September 2001

	Notes	2001 HK\$'000	2000 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	14	<b>266,606</b>	125,581
Investment properties	15	<b>29,000</b>	–
Trademarks		<b>6,917</b>	6,917
Interests in jointly-controlled entities	17	<b>19,006</b>	79,486
Interests in associates	18	<b>9,503</b>	5,999
Long term investments	19	<b>13,793</b>	15,078
		<b>344,825</b>	233,061
<b>CURRENT ASSETS</b>			
Cash and bank balances		<b>153,795</b>	99,528
Time deposits		<b>118,811</b>	163,565
Short term investments	20	<b>23,452</b>	–
Bills receivable		<b>5,560</b>	17,537
Trade receivables	21	<b>260,422</b>	231,573
Inventories	22	<b>302,478</b>	197,623
Deposits, prepayments and other receivables		<b>155,358</b>	64,024
Amounts due from jointly-controlled entities		<b>1,109</b>	42,112
		<b>1,020,985</b>	815,962
<b>CURRENT LIABILITIES</b>			
Bank loans and overdrafts	23	<b>306,284</b>	89,238
Finance lease and hire purchase contract payables	24	<b>433</b>	246
Other loans, secured	25	–	3,515
Bills payable		<b>35,970</b>	46,021
Trade payables and accrued purchases	26	<b>198,007</b>	164,118
Other payables and accruals		<b>157,798</b>	138,677
Tax payable		<b>7,539</b>	5,234
Proposed final dividend	12	<b>24,955</b>	39,926
Amounts due to associates		<b>4,038</b>	3,085
Amounts due to jointly-controlled entities		<b>8,688</b>	22,180
		<b>743,712</b>	512,240

## CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
<b>NET CURRENT ASSETS</b>		<b>277,273</b>	303,722
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>622,098</b>	536,783
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	23	22,000	–
Finance lease and hire purchase contract payables	24	307	214
Deferred tax	27	3,430	2,200
		<b>25,737</b>	2,414
<b>MINORITY INTERESTS</b>		<b>19,762</b>	18,900
		<b>576,599</b>	515,469
<b>CAPITAL AND RESERVES</b>			
Issued capital	28	31,192	31,234
Reserves	29	545,407	484,235
		<b>576,599</b>	515,469

**Lam Foo Wah**  
Director

**Ip Weng Kun**  
Director



# Consolidated Cash Flow Statement

Year ended 30 September 2001

	<i>Notes</i>	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<i>30(a)</i>	<b>137,996</b>	89,108
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		<b>11,824</b>	18,101
Interest paid		<b>(25,205)</b>	(14,863)
Interest element on finance lease and hire purchase rental payments		<b>(331)</b>	(44)
Factoring expenses		<b>(5,778)</b>	(5,522)
Bank charges		<b>(6,290)</b>	(7,131)
Dividends paid		<b>(61,760)</b>	(60,073)
Net cash outflow from returns on investments and servicing of finance		<b>(87,540)</b>	(69,532)
<b>TAX</b>			
Hong Kong profits tax paid		<b>(1,203)</b>	(364)
Taxes paid elsewhere		<b>(3,714)</b>	(143)
Taxes paid		<b>(4,917)</b>	(507)
<b>INVESTING ACTIVITIES</b>			
Purchases of fixed assets		<b>(80,112)</b>	(20,853)
Purchases of investment properties		<b>(28,787)</b>	–
Purchases of short term investments		<b>(23,452)</b>	–
Proceeds from disposal of fixed assets		<b>2,892</b>	302
Capital contribution to jointly-controlled entities		–	(10,825)
Decrease/(increase) in amounts due from jointly-controlled entities		<b>(10,182)</b>	223
Decrease in amounts due to jointly-controlled entities		<b>(2,271)</b>	(10,795)
Decrease in amounts due from associates		<b>1,401</b>	–
Decrease in amounts due to associates		<b>(2,780)</b>	(93)
Acquisition of subsidiaries	<i>30(c)</i>	<b>16,441</b>	(63,438)
Decrease in time deposits		–	80,240
Proceeds from disposal of a long term investment		<b>2,200</b>	–
Acquisition of minority interests in a subsidiary		<b>(2,007)</b>	–
Net cash outflow from investing activities		<b>(126,657)</b>	(25,239)

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
<b>NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES</b>		<b>(81,118)</b>	(6,170)
<b>FINANCING ACTIVITIES</b>	<i>30(b)</i>		
New bank loans		<b>292,264</b>	–
Repayment of bank loans		<b>(230,238)</b>	(2,477)
Repayment of other loans		<b>(3,509)</b>	(2,197)
Repurchase of shares		<b>(564)</b>	(27,177)
Capital element of finance lease and hire purchase rental payments		<b>(698)</b>	(189)
Net cash inflow/(outflow) from financing activities		<b>57,255</b>	(32,040)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(23,863)</b>	(38,210)
Cash and cash equivalents at beginning of year		<b>258,288</b>	295,029
Effect of foreign exchange rate changes, net		<b>1,106</b>	1,469
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>235,531</b>	258,288
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>153,795</b>	99,528
Time deposits with original maturity of less than three months when acquired		<b>118,811</b>	163,565
Bank overdrafts		<b>(1,086)</b>	(4,805)
Trust receipt loans		<b>(35,989)</b>	–
		<b>235,531</b>	258,288

Balance  
Sheet

30 September 2001

	Notes	2001 HK\$'000	2000 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	16	<b>434,303</b>	396,010
<b>CURRENT ASSETS</b>			
Bank balances		<b>46</b>	42
Dividend receivable		<b>60,000</b>	100,000
		<b>60,046</b>	100,042
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>916</b>	881
Tax payable		<b>48</b>	48
Proposed final dividend	12	<b>24,955</b>	39,926
		<b>25,919</b>	40,855
<b>NET CURRENT ASSETS</b>			
		<b>34,127</b>	59,187
		<b>468,430</b>	455,197
<b>CAPITAL AND RESERVES</b>			
Issued capital	28	<b>31,192</b>	31,234
Reserves	29	<b>437,238</b>	423,963
		<b>468,430</b>	455,197

**Lam Foo Wah**  
Director

**Ip Weng Kun**  
Director

# Notes to Financial Statements

30 September 2001

## 1. CORPORATE INFORMATION

During the year, the principal activities of the Group were the manufacture, retailing and trading of garments.

## 2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

Revised SSAP 14 "Leases" has been adopted for the first time in the preparation of the current year's consolidated financial statements. SSAP 14 prescribes the appropriate accounting policies and disclosures to apply in relation to finance and operating leases. Certain disclosures, as set out in notes 24 and 33(b), have been revised in line with the new requirements.

The adoption of the revised SSAP 14 has had no effect on the previously reported net profit attributable to shareholders, earnings per share or the net assets of the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and short term investments, as further explained below.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 September 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

**NOTES TO FINANCIAL STATEMENTS****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Subsidiaries**

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

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been impairments in values, when they are written down to values determined by the directors.

**Joint ventures**

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

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

**Associates**

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

## NOTES TO FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Goodwill and capital reserve**

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates and jointly-controlled entities represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. The capital reserve arising on the consolidation of subsidiaries and on the acquisition of associates and jointly-controlled entities represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration paid. On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of the attributable goodwill or capital reserve previously dealt with in reserves is realised and included in the calculation of the gain or loss on disposal.

**Fixed assets and depreciation**

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Construction in progress represents buildings under construction and plant and equipment in the process of installation, and is stated at cost and is not depreciated. Cost comprises direct costs of construction and installation. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

## NOTES TO FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Fixed assets and depreciation (Continued)**

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% to 5%
Leasehold improvements	Over the lease terms
Plant and equipment	9% to 20%
Furniture and fixtures	9% to 25%
Motor vehicles	9% to 25%

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

**Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

## NOTES TO FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

**Trademarks**

Trademarks are stated at cost and are not amortised. Provisions are made for any impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

**Long term investments**

Long term investments represent investments in unlisted equity securities intended to be held for a continuing strategic or long term purpose. Such long term investments are stated at cost less any provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged is credited to the profit and loss account to the extent of the amounts previously charged.



**NOTES TO FINANCIAL STATEMENTS****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Short term investments**

Short term investments are investments in debt securities held for an undetermined period and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

**Textile quotas**

Permanent textile quotas allocated by government authorities are not capitalised and, therefore, not reflected as assets in the balance sheet. Temporary textile quotas are capitalised at cost within current assets and are amortised to the profit and loss account on the basis of their utilisation or upon expiry, whichever is earlier.

**Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

## NOTES TO FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

**Retirement benefits scheme**

Certain subsidiaries operate different defined contribution retirement benefits schemes for those employees who are eligible to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. For certain schemes, when an employee leaves the schemes prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For certain schemes, the Group's employer contributions vest fully with the employees when contributed into the schemes, except for the Group's voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully.

**Cash equivalents**

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

**NOTES TO FINANCIAL STATEMENTS****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (c) rental income, on a straight-line basis over the lease terms.

## NOTES TO FINANCIAL STATEMENTS

**4. SEGMENT INFORMATION**

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") is as follows:

	Turnover		Contribution to profit from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacturing and trading	<b>2,110,344</b>	1,828,003	<b>179,081</b>	162,173
Retailing	<b>215,322</b>	24,904	<b>(21,177)</b>	(3,118)
	<b>2,325,666</b>	1,852,907	<b>157,904</b>	159,055

	Turnover		Contribution to profit from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
United States of America	<b>1,798,954</b>	1,632,976	<b>137,831</b>	126,969
Europe	<b>169,015</b>	160,831	<b>7,997</b>	9,655
Greater China	<b>322,072</b>	41,082	<b>7,881</b>	20,097
Others	<b>35,625</b>	18,018	<b>4,195</b>	2,334
	<b>2,325,666</b>	1,852,907	<b>157,904</b>	159,055

**5. TURNOVER**

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

## NOTES TO FINANCIAL STATEMENTS

## 6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>1,656,376</b>	1,346,723
Depreciation:		
Owned fixed assets	<b>28,308</b>	15,412
Leased fixed assets	<b>172</b>	187
	<b>28,480</b>	15,599
Auditors' remuneration:		
Current year	<b>2,849</b>	2,641
Prior years' over provision	<b>(2)</b>	(251)
	<b>2,847</b>	2,390
Foreign exchange losses, net	<b>6,430</b>	2,911
Temporary textile quota expenses	<b>8,608</b>	15,651
Minimum lease payments under operating lease rentals of equipment	<b>122</b>	282
Operating lease rentals of land and buildings:		
Minimum lease payments	<b>68,829</b>	14,092
Contingent rents	–	–
	<b>68,829</b>	14,092
Provision against a long term investment	–	3,000
Loss on disposal of fixed assets	<b>3,169</b>	44
Staff costs (including directors' remuneration – note 8):		
Retirement benefits contributions	<b>4,948</b>	679
Less: Forfeited contributions	–	–
Net retirement benefits contributions *	<b>4,948</b>	679
Wages, salaries and bonuses	<b>323,436</b>	206,651
	<b>328,384</b>	207,330

## NOTES TO FINANCIAL STATEMENTS

**6. PROFIT FROM OPERATING ACTIVITIES (Continued)**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
and after crediting:		
Gross rental income from investment properties	<b>5,175</b>	–
Less: Outgoings	<b>(1,081)</b>	–
Net rental income	<b>4,094</b>	–
Interest income	<b>11,824</b>	18,101
Write back of provision against a long term investment	<b>675</b>	–
Gain on disposal of a long term investment	<b>240</b>	–

\* At 30 September 2001, there were no forfeited contributions available to the Group to reduce its contributions to the retirement benefits scheme in future years (2000: Nil).

**7. FINANCE COSTS**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>25,205</b>	14,863
Interest on finance leases and hire purchase contracts	<b>331</b>	44
Factoring expenses	<b>5,778</b>	5,522
Bank charges	<b>6,290</b>	7,131
	<b>37,604</b>	27,560

## NOTES TO FINANCIAL STATEMENTS

**8. DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Fees	<b>720</b>	640
Salaries, allowances and benefits in kind	<b>13,670</b>	11,113
Performance related bonuses	<b>4,650</b>	7,900
Retirement benefits contributions	<b>435</b>	–
	<b>19,475</b>	19,653

Fees include HK\$160,000 (2000: HK\$160,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2001</b>	2000
Nil to HK\$1,000,000	<b>4</b>	5
HK\$2,000,001 to HK\$2,500,000	<b>1</b>	–
HK\$2,500,001 to HK\$3,000,000	<b>2</b>	2
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	<b>1</b>	–
HK\$9,500,001 to HK\$10,000,000	–	1
	<b>9</b>	9

## NOTES TO FINANCIAL STATEMENTS

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included five (2000: four) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining non-director, highest paid employee in the prior year are as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	–	1,655
Performance related bonuses	–	1,000
	–	2,655

**10. TAX**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Group:		
Hong Kong	<b>2,970</b>	1,200
Elsewhere	<b>2,234</b>	433
Overprovision in prior years	<b>(326)</b>	(327)
Deferred – note 27	<b>1,230</b>	1,220
	<b>6,108</b>	2,526
Share of tax attributable to:		
Jointly-controlled entities	<b>775</b>	1,018
Associates	<b>9</b>	–
	<b>784</b>	1,018
Tax charge for the year	<b>6,892</b>	3,544

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.



## NOTES TO FINANCIAL STATEMENTS

**11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$60,586,000 (2000: HK\$99,582,000).

**12. DIVIDENDS**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interim – 7 (2000: 7) HK cents per ordinary share	<b>21,834</b>	21,348
Proposed final – 8 (2000: 12.8) HK cents per ordinary share	<b>24,955</b>	39,926
	<b>46,789</b>	61,274

The proposed final dividend for the year ended 30 September 2001 will be satisfied by the allotment of new shares in the Company, credited as fully paid, by way of scrip dividend of 1 new share for every 20 shares with a conditional option to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such entitlement.

**13. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$101,880,000 (2000: HK\$133,883,000) and the weighted average of 311,940,758 (2000: 320,971,615) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$101,880,000 (2000: HK\$133,883,000). The weighted average number of ordinary shares used in the calculation is 311,940,758 (2000: 320,971,615) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 10,458,802 (2000: 8,838,850) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

## NOTES TO FINANCIAL STATEMENTS

## 14. FIXED ASSETS

## Group

	Land and buildings (Hong Kong)	Land and buildings (Elsewhere)	Construction in progress	Leasehold improve- ments	Plant and equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:								
At beginning of year	17,555	63,562	-	43,236	99,159	56,608	14,756	294,876
Acquisition of subsidiaries	-	39,608	1,891	442	72,846	3,599	3,935	122,321
Additions	19,065	6,591	24,353	12,928	11,151	2,653	4,349	81,090
Transfers	-	10,791	(18,069)	-	5,676	1,602	-	-
Disposals	-	(1,167)	-	(26,620)	(4,769)	(2,715)	(1,070)	(36,341)
Exchange realignments	-	821	-	(1,534)	532	144	64	27
<b>At 30 September 2001</b>	<b>36,620</b>	<b>120,206</b>	<b>8,175</b>	<b>28,452</b>	<b>184,595</b>	<b>61,891</b>	<b>22,034</b>	<b>461,973</b>
Accumulated depreciation:								
At beginning of year	3,941	11,233	-	30,852	63,834	47,607	11,828	169,295
Acquisition of subsidiaries	-	7,035	-	188	18,484	1,525	1,734	28,966
Provided during the year	708	3,549	-	6,364	13,035	2,957	1,867	28,480
Disposals	-	(258)	-	(24,681)	(1,927)	(2,696)	(718)	(30,280)
Exchange realignments	-	150	-	(1,209)	(177)	106	36	(1,094)
<b>At 30 September 2001</b>	<b>4,649</b>	<b>21,709</b>	<b>-</b>	<b>11,514</b>	<b>93,249</b>	<b>49,499</b>	<b>14,747</b>	<b>195,367</b>
Net book value:								
<b>At 30 September 2001</b>	<b>31,971</b>	<b>98,497</b>	<b>8,175</b>	<b>16,938</b>	<b>91,346</b>	<b>12,392</b>	<b>7,287</b>	<b>266,606</b>
At 30 September 2000	13,614	52,329	-	12,384	35,325	9,001	2,928	125,581

The net book value of the fixed assets of the Group held under finance leases included in the total amount of motor vehicles at 30 September 2001 amounted to HK\$939,000 (2000: HK\$685,000).

## NOTES TO FINANCIAL STATEMENTS

**14. FIXED ASSETS (Continued)**

The Group's land and buildings included above are held under the following lease terms:

	<b>Hong Kong</b>	<b>Elsewhere</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Long term leases	–	2,879	2,879
Medium term leases	36,620	115,933	152,553
Short term leases	–	1,394	1,394
	<u>36,620</u>	<u>120,206</u>	<u>156,826</u>

**15. INVESTMENT PROPERTIES**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At beginning of year	–	–
Additions	<b>28,787</b>	–
Revaluation surplus	<b>213</b>	–
At end of year	<u><b>29,000</b></u>	–

The Group's investment properties are situated in Hong Kong and are held under medium term leases. The investment properties were revalued on 30 September 2001 by Centaline Surveyors Limited, an independent professional valuer, on an open market, existing use basis.

The Group leases investment properties under operating lease arrangements. The average term of the leases is two years.

## NOTES TO FINANCIAL STATEMENTS

**15. INVESTMENT PROPERTIES (Continued)**

At 30 September 2001, the future minimum lease receivables under the leases were as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Amounts receivable under operating leases:		
Within one year	<b>4,623</b>	–
In the second to fifth years, inclusive	<b>4,191</b>	–
	<hr/> <b>8,814</b> <hr/>	<hr/> – <hr/>
Total minimum lease receivables	<b>8,814</b>	–

**16. INTERESTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>126,671</b>	126,671
Due from subsidiaries	<b>307,632</b>	269,339
	<hr/> <b>434,303</b> <hr/>	<hr/> 396,010 <hr/>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## NOTES TO FINANCIAL STATEMENTS

**16. INTERESTS IN SUBSIDIARIES (Continued)**

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Access Agents Limited	British Virgin Islands/ The People's Republic of China	US\$ 1	100	100	Garment retailing
Angel Star Investment Limited	Hong Kong	HK\$2 ordinary HK\$2 non-voting deferred	75	75	Holding of trademarks
August Silk (BVI) Limited	British Virgin Islands/ The People's Republic of China	US\$ 1	100	100	Garment trading
August Silk (H.K.) Limited	Hong Kong	HK\$2	100	100	Garment trading
August Silk Inc.	USA	US\$10	100	100	Marketing and garment trading
Bramead International Inc.	British Virgin Islands	US\$ 1	100	100	Development and holding of trademarks
Cantabian Limited	Hong Kong	HK\$2 ordinary HK\$2 non-voting deferred	100	100	Investment holding

## NOTES TO FINANCIAL STATEMENTS

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Dongguan Daliwai Fashion Co., Ltd.	The People's Republic of China	HK\$28,000,000	100	100	Garment manufacturing
Dong Guan Sanyue Fashions Ltd.	The People's Republic of China	HK\$10,000,000	69	69	Garment manufacturing
Fuli Garments (Hangzhou) Co., Ltd.	The People's Republic of China	HK\$1,000,000	60	60	Manufacturing and trading of garments and garment accessories
Granwick International Limited	Hong Kong	HK\$2	75	75	Investment holding
Guangdong Theme-Huayu Fashion Company Limited	The People's Republic of China	RMB5,000,000	36.75+	36.75+	Garment retailing
Hangzhou OCT & High Fashion Textile Co., Ltd.	The People's Republic of China	RMB3,000,000	60	36+	Garment manufacturing
Hangzhou Westlake High Fashion Industry Co., Ltd. δ	The People's Republic of China	RMB33,192,800	100	60	Garment manufacturing
High Fashion Garments, Inc.	USA	US\$5,000	100	100	Marketing and garment trading

## NOTES TO FINANCIAL STATEMENTS

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
High Fashion Apparel Limited	British Virgin Islands	US\$1,000	100	100	Investment holding
High Fashion Garments Company Limited	Hong Kong	HK\$2 ordinary HK\$10,000,000 non-voting deferred	100	100	Garment trading
High Fashion Garments Limited	British Virgin Islands/ The People's Republic of China	US\$1	100	100	Garment manufacturing and trading
High Fashion Garments Management Limited	Hong Kong	HK\$20 ordinary HK\$20 non-voting deferred	100	100	Provision of management services
High Fashion International (USA) Inc.	USA	US\$1,800	100	100	Investment holding
High Fashion Knitwear (F.E.) Limited	British Virgin Islands/ The People's Republic of China	US\$1	100	100	Garment trading
High Fashion Knitwear Overseas Limited	Hong Kong	HK\$2 ordinary HK\$10,000 non-voting deferred	100	100	Garment trading
High Fashion Outerwear Limited	Hong Kong	HK\$2	100	100	Garment trading

## NOTES TO FINANCIAL STATEMENTS

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
High Fashion Overseas Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion Trading Company Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion (UK) Limited	United Kingdom	GB£20,000	70.5	70.5	Garment trading
Honghuali Garments Accessory (Shenzhen) Co., Ltd.	The People's Republic of China	RMB2,160,000	60	60	Manufacturing of garment accessories
Mateland Limited	Hong Kong	HK\$2	100	100	Garment retailing
Navigation Limited	British Virgin Islands	US\$1	100	100	Investment holding
Shanghai Theme Fashion Company	The People's Republic of China	RMB3,000,000	36.75+	36.75+	Garment retailing
Stage II Limited	Hong Kong	HK\$800,000	75	75	Garment retailing
Super Base (China) Limited	Hong Kong	HK\$2	75	75	Property holding
Taiwan Vision Company Limited	Taiwan	NTD80,000,000	75	52.5	Garment retailing
Theme (China) Limited	Hong Kong	HK\$2	75	75	Investment holding



## NOTES TO FINANCIAL STATEMENTS

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Theme International Holdings (B.V.I.) Limited	British Virgin Islands/ Hong Kong	US\$10,001	75	75	Investment holding
Theme International Holdings Limited	Bermuda/ Hong Kong	HK\$25,083,294	75	75	Investment holding
Theme International Limited	Hong Kong	HK\$2 ordinary HK\$1,000,000 non-voting deferred	75	75	Garment trading
Wescorp Limited	Hong Kong	HK\$82,208,893	42	42	Investment holding
Wortheme Investment Limited	Hong Kong	HK\$12	75	75	Investment holding
U-campus e-enterprises Limited	Hong Kong	HK\$2	100	100	Portal business
U-campus Holdings Limited	Hong Kong	HK\$2	100	100	Garment retailing
Zhejiang High Fashion Kaidi Silk Co., Ltd.	The People's Republic of China	RMB51,828,660	100	–	Dyeing, printing and sandwashing of fabrics
Zhejiang Xinchang High Fashion Silk Co., Ltd. $\delta$	The People's Republic of China	RMB50,219,630	100	70	Silk weaving

@ Unless otherwise stated, the place of operations is the place of incorporation or registration.

+ These companies are subsidiaries of the non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of control over the companies.

$\delta$  These companies were reclassified from interests in jointly-controlled entities because of the change in the Group's interests during the year.

## NOTES TO FINANCIAL STATEMENTS

**16. INTERESTS IN SUBSIDIARIES (Continued)**

All subsidiaries are indirectly held by the Company with the exception of High Fashion Apparel Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

**17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>14,585</b>	73,515
Due from jointly-controlled entities	<b>21,594</b>	11,412
Due to jointly-controlled entities	<b>(3,170)</b>	(5,441)
	<b>33,009</b>	79,486
Less: Provision against an amount due from a jointly-controlled entity	<b>(14,003)</b>	–
	<b>19,006</b>	79,486

The amounts due from/to the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

## NOTES TO FINANCIAL STATEMENTS

## 17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power of the Board	Profit sharing	
High Fashion Garments (Zhong Shan) Limited *	Corporate	The People's Republic of China	51	50	100	Garment manufacturing
High Fashion Zhongshan Printing, Dyeing and Garments Manufacturing Ltd. *	Corporate	The People's Republic of China	51	50	100	Dyeing, printing and sandwashing of fabrics
Shenzhen Chengyi Trade Co., Ltd.	Corporate	The People's Republic of China	60	56	60	Dormant
Suzhou High Fashion Garment Co., Ltd.	Corporate	The People's Republic of China	51	60	51	Garment manufacturing

All of the above investments in jointly-controlled entities are indirectly held by the Company.

\* The Group has a 51% beneficial interest in these companies. By virtue of an arrangement between the Group and the joint venture partner holding the remaining 49% beneficial interest in the companies, the Group is entitled to all of the companies' profits and is liable for all of their losses by paying a fixed fee to the joint venture partner annually.

## NOTES TO FINANCIAL STATEMENTS

## 18. INTERESTS IN ASSOCIATES

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>15,358</b>	13,233
Due from associates	<b>1,901</b>	3,302
Due to associates	<b>(7,756)</b>	(10,536)
	<b>9,503</b>	5,999

The amounts due from/to the associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

<b>Name</b>	<b>Business structure</b>	<b>Place of registration and operations</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Shenzhen Fuli Garments Accessory Co., Ltd.*	Corporate	The People's Republic of China	70	Manufacturing of garment accessories
Strait Approach Pte. Limited+	Corporate	Singapore	36.75	Garment trading and retailing

\* The proportion of the voting power of the associate's board of directors held by the Group and the Group's profit sharing ratio were 43% and 70%, respectively.

+ Not audited by Ernst and Young.

The investments in the associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

## NOTES TO FINANCIAL STATEMENTS

## 19. LONG TERM INVESTMENTS

	<b>2001</b>	<b>Group</b> 2000
	<b>HK\$'000</b>	HK\$'000
Unlisted equity investments, at cost	<b>14,118</b>	19,078
Less: Provision for impairments in values	<b>(325)</b>	(4,000)
	<b>13,793</b>	15,078

Particulars of certain of the Group's long term investments are as follows:

<b>Name</b>	<b>Place of registration and operations</b>	<b>Percentage of equity interest attributable to the Group</b>
Zhoushan High Fashion Silk Spinning & Clothing Co., Ltd.	The People's Republic of China	30.0#
Zhoushan High Fashion Knitting Co., Ltd.	The People's Republic of China	30.0#

# The interests in these companies have not been accounted for as associates because the Group does not have significant influence over these companies.

## NOTES TO FINANCIAL STATEMENTS

**20. SHORT TERM INVESTMENTS**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Overseas listed debt securities, at market value	<b>23,452</b>	–

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$24,260,000.

**21. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Current to 90 days	<b>250,952</b>	225,697
91 to 180 days	<b>5,809</b>	3,342
181 to 360 days	<b>2,849</b>	1,744
Over 360 days	<b>812</b>	790
	<b>260,422</b>	231,573

The Group allows an average credit period of 30 to 60 days to its trade debtors.

**22. INVENTORIES**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>101,848</b>	55,842
Work in progress	<b>41,298</b>	20,850
Finished goods	<b>159,332</b>	120,931
	<b>302,478</b>	197,623

The carrying amount of inventories carried at net realisable value included in the above is HK\$40,532,000 (2000: HK\$44,459,000).

## NOTES TO FINANCIAL STATEMENTS

## 23. BANK LOANS AND OVERDRAFTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank overdrafts, unsecured	1,086	4,805
Bank loans, unsecured	179,264	–
Bank loans, secured	10,235	2,190
Trust receipt loans, unsecured	137,699	82,243
	<b>328,284</b>	89,238
Portion classified as current liabilities	<b>(306,284)</b>	(89,238)
Long term portion	<b>22,000</b>	–
Amounts payable:		
Within one year or on demand	306,284	89,238
In the second year	8,000	–
In the third to fifth years, inclusive	14,000	–
	<b>328,284</b>	89,238

At 30 September 2001, the secured bank loans were secured by mortgages over certain of the Group's land and buildings and plant and equipment which had an aggregate net book value of approximately HK\$2,342,000 (2000: HK\$2,448,000) and HK\$17,779,000 (2000: Nil), respectively.

## NOTES TO FINANCIAL STATEMENTS

**24. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES**

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms of three years.

At 30 September 2001, the future minimum lease payments under finance leases and hire purchase contracts and their present values were as follows:

**Group**

	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts payable:				
Within one year	<b>483</b>	272	<b>433</b>	246
In the second year	<b>267</b>	216	<b>252</b>	214
In the third to fifth years, inclusive	<b>57</b>	–	<b>55</b>	–
Total minimum lease payments	<b>807</b>	488	<b>740</b>	460
Future finance charges	<b>(67)</b>	(28)		
Total net finance lease and hire purchase contract payables	<b>740</b>	460		
Portion classified as current liabilities	<b>(433)</b>	(246)		
Long term portion	<b>307</b>	214		

**25. OTHER LOANS, SECURED**

The prior year's other loans bore interest at 2% over the base rate in the United Kingdom and were secured by certain of the Group's trade receivables amounting to HK\$21,042,000 at 30 September 2000.



## NOTES TO FINANCIAL STATEMENTS

**26. TRADE PAYABLES AND ACCRUED PURCHASES**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Trade payables:		
Current to 90 days	<b>106,077</b>	120,918
91 to 180 days	<b>12,820</b>	5,134
181 to 360 days	<b>9,763</b>	6,611
Over 360 days	<b>8,299</b>	11,643
	<b>136,959</b>	144,306
Accrued purchases	<b>61,048</b>	19,812
	<b>198,007</b>	164,118

**27. DEFERRED TAX**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of year	<b>2,200</b>	980
Charge for the year – <i>note 10</i>	<b>1,230</b>	1,220
At 30 September	<b>3,430</b>	2,200

## NOTES TO FINANCIAL STATEMENTS

**27. DEFERRED TAX (Continued)**

The principal components of the Group's provision for deferred tax and the net deferred tax asset not recognised in the financial statements are as follows:

	Provided		Not provided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	<b>3,630</b>	3,000	<b>104</b>	38
Tax losses	<b>(200)</b>	(900)	<b>(108,788)</b>	(105,033)
Others	–	100	–	(138)
	<b>3,430</b>	2,200	<b>(108,684)</b>	(105,133)

The Company had no significant potential deferred tax liabilities for which provision has not been made.

**28. SHARE CAPITAL****Shares**

	2001 HK\$'000	2000 HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
<i>Issued and fully paid:</i>		
311,923,630 (2000: 312,335,630) ordinary shares of HK\$0.10 each	<b>31,192</b>	31,234

## NOTES TO FINANCIAL STATEMENTS

**28. SHARE CAPITAL (Continued)**

During the year, the Company repurchased 412,000 (2000: 22,902,000) ordinary shares of HK\$0.10 each of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of shares	Price per share		Total price
		Highest HK\$	Lowest HK\$	paid HK\$'000
October 2000	412,000	1.38	1.33	564

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$522,000 (2000: HK\$24,887,000) has been charged to the retained profits. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

**Share options**

On 18 March 1994, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees and executive directors of the Group to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for a period of ten years from the date of its adoption.

During the year ended 30 September 1999, the Company granted a total of 15,200,000 share options which entitle the holders to subscribe for shares in the Company. 40% of the share options granted are exercisable during the period from 5 May 2002 to 4 May 2009, 30% of the share options granted are exercisable during the period from 5 May 2003 to 4 May 2009 and the remaining 30% of the share options granted are exercisable during the period from 5 May 2004 to 4 May 2009. The subscription price per share payable upon the exercise of each option is HK\$0.505, subject to adjustment. The exercise in full of the 15,200,000 share options outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 15,200,000 additional shares of HK\$0.10 each.

## NOTES TO FINANCIAL STATEMENTS

## 29. RESERVES

## Group

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds* HK\$'000	Capital reserve/ (goodwill) HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 1999	275,941	(4,670)	8,984	730	2,371	-	210,186	493,542
Transfer from retained profits	-	-	87	-	2,290	-	(2,377)	-
Premium paid on repurchase of shares	-	-	-	-	-	-	(24,887)	(24,887)
Exchange realignments	-	1,642	-	-	-	-	-	1,642
Retained profit for the year	-	-	-	-	-	-	72,609	72,609
Goodwill on acquisition	-	-	-	(58,671)	-	-	-	(58,671)
At 30 September 2000 and beginning of year	275,941	(3,028)	9,071	(57,941)	4,661	-	255,531	484,235
Transfer from retained profits	-	-	2,411	-	42	-	(2,453)	-
Premium paid on repurchase of shares	-	-	-	-	-	-	(522)	(522)
Exchange realignments	-	935	125	-	-	-	-	1,060
Revaluation surplus	-	-	-	-	-	213	-	213
Retained profit for the year	-	-	-	-	-	-	55,091	55,091
Capital reserve on acquisition	-	-	-	5,330	-	-	-	5,330
<b>At 30 September 2001</b>	<b>275,941</b>	<b>(2,093)</b>	<b>11,607</b>	<b>(52,611)</b>	<b>4,703</b>	<b>213</b>	<b>307,647</b>	<b>545,407</b>
Reserves retained by:								
Company and subsidiaries	275,941	(1,632)	9,292	(52,611)	4,703	213	328,962	564,868
Jointly-controlled entities	-	(735)	622	-	-	-	(30,443)	(30,556)
Associates	-	274	1,693	-	-	-	9,128	11,095
<b>At 30 September 2001</b>	<b>275,941</b>	<b>(2,093)</b>	<b>11,607</b>	<b>(52,611)</b>	<b>4,703</b>	<b>213</b>	<b>307,647</b>	<b>545,407</b>

## NOTES TO FINANCIAL STATEMENTS

## 29. RESERVES (Continued)

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds* HK\$'000	Capital reserve/ (goodwill) HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company and subsidiaries	275,941	(3,170)	3,866	(58,671)	4,661	-	262,184	484,811
Jointly-controlled entities	-	17	3,528	730	-	-	(13,781)	(9,506)
Associates	-	125	1,677	-	-	-	7,128	8,930
At 30 September 2000	275,941	(3,028)	9,071	(57,941)	4,661	-	255,531	484,235

\* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's jointly-controlled entities and associates in the People's Republic of China has been transferred to reserve funds which are restricted as to use.

## Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 1999	275,941	101,171	16,521	2,371	14,538	410,542
Transfer from retained profits	-	-	-	2,290	(2,290)	-
Premium paid on repurchase of shares	-	-	-	-	(24,887)	(24,887)
Profit for the year	-	-	-	-	99,582	99,582
Dividends	-	-	-	-	(61,274)	(61,274)
At 30 September 2000 and beginning of year	275,941	101,171	16,521	4,661	25,669	423,963
Transfer from retained profits	-	-	-	42	(42)	-
Premium paid on repurchase of shares	-	-	-	-	(522)	(522)
Profit for the year	-	-	-	-	60,586	60,586
Dividends	-	-	-	-	(46,789)	(46,789)
<b>At 30 September 2001</b>	<b>275,941</b>	<b>101,171</b>	<b>16,521</b>	<b>4,703</b>	<b>38,902</b>	<b>437,238</b>

## NOTES TO FINANCIAL STATEMENTS

**29. RESERVES (Continued)**

The contributed surplus of the Company arose as a result of the Group's reorganisation in 1992 and represented the excess of the fair value of the subsidiaries' net assets acquired over the nominal value of the Company's shares issued in exchange therefor. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

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

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Profit from operating activities	<b>157,904</b>	159,055
Interest income	<b>(11,824)</b>	(18,101)
Provision/(write back of provision) against long term investments	<b>(675)</b>	3,000
Gain on disposal of a long term investment	<b>(240)</b>	–
Depreciation	<b>28,480</b>	15,599
Loss on disposal of fixed assets	<b>3,169</b>	44
Decrease/(increase) in bills receivable	<b>11,977</b>	(10,100)
Decrease/(increase) in trade receivables	<b>9,899</b>	(84,493)
Increase in inventories	<b>(13,637)</b>	(20,066)
Decrease/(increase) in deposits, prepayments and other receivables	<b>(54,535)</b>	2,314
Decrease/(increase) in amounts due from jointly- controlled entities	<b>22,471</b>	(42,112)
Increase in trust receipt loans	<b>19,467</b>	23,591
Increase/(decrease) in bills payable	<b>(10,051)</b>	18,541
Increase/(decrease) in trade payables and accrued purchases	<b>(6,178)</b>	19,955
Increase/(decrease) in other payables and accruals	<b>(38,055)</b>	19,826
Increase in amounts due to associates	<b>953</b>	569
Increase in amounts due to jointly-controlled entities	<b>18,871</b>	1,486
Net cash inflow from operating activities	<b>137,996</b>	89,108

## NOTES TO FINANCIAL STATEMENTS

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Bank and other loans	Finance lease and hire purchase contract payables	Minority interests	Share capital (including share premium)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 1999	7,734	650	15,181	309,465
Cash outflow from financing activities, net	(4,674)	(189)	–	(27,177)
Premium paid on repurchase of shares	–	–	–	24,887
Share of profit for the year	–	–	648	–
Exchange realignments	(620)	(49)	272	–
Acquisition of subsidiaries	3,265	48	2,799	–
At 30 September 2000 and beginning of year	5,705	460	18,900	307,175
Cash inflow/(outflow) from financing activities, net	58,517	(698)	–	(564)
Premium paid on repurchase of shares	–	–	–	522
Inception of finance lease contracts	–	978	–	–
Share of profit for the year	–	–	716	–
Exchange realignments	1,165	–	146	–
Acquisition of subsidiaries	124,112	–	–	–
<b>At 30 September 2001</b>	<b>189,499</b>	<b>740</b>	<b>19,762</b>	<b>307,133</b>

## NOTES TO FINANCIAL STATEMENTS

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	93,355	19,633
Cash and bank balances	39,308	13,980
Bills receivable	–	1,171
Trade receivables	38,748	16,159
Inventories	91,218	26,157
Deposits, prepayments and other receivables	36,799	19,737
Bank loans	(124,112)	(3,265)
Bank overdrafts	–	(2,143)
Hire purchase contract payables	–	(48)
Bills payable	–	(1,524)
Trade payables and accrued purchases	(40,067)	(40,254)
Tax payable	(2,320)	(3,384)
Other payables and accruals	(57,176)	(25,398)
Amount due to an associate	–	(516)
Minority interests	–	(2,799)
Net amounts due from/(to) the Group	13,831	(10,000)
	<b>89,584</b>	7,506
Goodwill/(capital reserve) on acquisition	(7,337)	58,671
	<b>82,247</b>	66,177
Satisfied by:		
Cash consideration	22,867	65,275
Transfer of interests in jointly-controlled entities to subsidiaries	59,380	902
	<b>82,247</b>	66,177



## NOTES TO FINANCIAL STATEMENTS

**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**

## (c) Acquisition of subsidiaries (Continued)

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cash consideration	<b>(22,867)</b>	(65,275)
Cash and bank balances acquired	<b>39,308</b>	13,980
Bank overdrafts acquired	–	(2,143)
Amount due to the Group acquired	–	(10,000)
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>16,441</b>	(63,438)

The subsidiaries acquired during the year paid HK\$1,267,000 (2000: HK\$8,030,000) and received HK\$32,264,000 (2000: HK\$1,112,000) in respect of the Group's net operating cash flows and financing activities for the year, respectively.

They contributed HK\$67,275,000 (2000: HK\$26,673,000) to the Group's turnover and contributed HK\$15,123,000 (2000: utilized HK\$458,000) in respect of the net profit attributable to shareholders for the year.

## (d) Non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$978,000 (2000: Nil).

**31. PLEDGE OF ASSETS**

At the balance sheet date, certain subsidiaries have pledged trade receivables amounting to HK\$94,607,000 (2000: HK\$114,533,000), land and buildings amounting to HK\$2,342,000 (2000: HK\$2,448,000) and plant and equipment amounting to HK\$17,779,000 (2000: Nil) to factoring houses and banks to secure borrowing facilities granted to them.

## NOTES TO FINANCIAL STATEMENTS

**32. CONTINGENT LIABILITIES**

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank guarantees given in lieu of utility, property rental and other service deposits	<b>1,081</b>	2,805	–	–
Bills discounted with recourse	<b>30,456</b>	31,434	–	–
Trade receivables factored with recourse	<b>187</b>	736	–	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	<b>635,736</b>	596,000
Jointly-controlled entities	–	37,383	–	–
Third party	<b>21,226</b>	–	–	–
	<b>52,950</b>	72,358	<b>635,736</b>	596,000

As at 30 September 2001, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$200 million (2000: HK\$86 million).

## NOTES TO FINANCIAL STATEMENTS

**32. CONTINGENT LIABILITIES (Continued)**

In addition, the Group's share of contingent liabilities of a jointly-controlled entity not included in the above was as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Guarantees given to banks in connection with facilities granted to a third party	–	27,073

**33. COMMITMENTS**

(a) Capital commitments in respect of capital expenditure not provided for in the financial statements were as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Contracted, but not provided for	<b>76,450</b>	44,116

In addition, the Group's share of capital commitments of its jointly-controlled entities not included in the above was as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Authorised, but not contracted for	<b>82</b>	1,682

## NOTES TO FINANCIAL STATEMENTS

**33. COMMITMENTS (Continued)**

- (b) The Group leases certain of its office properties, equipment and retail shops under operating lease arrangements. These leases are negotiated for terms ranging from one to six years. Under certain lease agreements for the retail shops, contingent rentals in excess of the minimum lease payments are payable if the turnover of such retail shops reaches a pre-determined level.

At 30 September 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Land and buildings:		
Within one year	<b>45,000</b>	37,499
In the second to fifth years, inclusive	<b>63,906</b>	45,355
After five years	<b>19,201</b>	6,049
	<b>128,107</b>	88,903
Equipment:		
Within one year	<b>118</b>	204
In the second to fifth years, inclusive	<b>41</b>	181
	<b>159</b>	385
	<b>128,266</b>	89,288

In addition, the Group's share of commitments under operating leases of its jointly-controlled entities not included in the above was as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Land and buildings:		
Within one year	–	1,856
In the second to fifth years, inclusive	–	4,181
After five years	–	9,494
	–	15,531

## NOTES TO FINANCIAL STATEMENTS

**33. COMMITMENTS (Continued)**

- (c) At the balance sheet date, the Group had entered into agreements for forward sales of United States dollars equivalent to HK\$39,619,000 (2000: HK\$134,509,000) for the hedging of foreign currency trade debts in the ordinary course of business.

At the balance sheet date, the Company did not have any significant commitments.

**34. RELATED PARTY TRANSACTIONS**

In addition to those disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

		<b>Group</b>	
		<b>2001</b>	2000
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Purchases of raw materials and finished goods			
from jointly-controlled entities	<i>(i)</i>	<b>314,433</b>	527,706
Purchases of raw materials and finished goods			
from an associate	<i>(i)</i>	<b>5,321</b>	3,057
Professional fees paid to Wilkinson & Grist	<i>(ii)</i>	<b>388</b>	1,488

*Notes:*

- (i) The purchases of raw materials and finished goods were made according to the published prices and conditions offered to the major customers of the supplier, except that a longer credit period was usually granted.
- (ii) The professional fees related to the provision of secretarial and legal advisory services and were charged according to the fee rates and conditions similar to those offered to other customers of Wilkinson & Grist. Mr. Chan Wah Tip, Michael, a director of the Company, is a partner of Wilkinson & Grist.

**35. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 14 January 2002.

## Five Year Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

### RESULTS

	Year ended 30 September				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	<b>2,325,666</b>	1,852,907	1,643,968	1,633,498	1,729,128
Profit before tax	<b>109,488</b>	138,075	107,296	54,411	49,349
Tax	<b>(6,892)</b>	(3,544)	(3,501)	(1,356)	(2,282)
Profit before minority interests	<b>102,596</b>	134,531	103,795	53,055	47,067
Minority interests	<b>(716)</b>	(648)	(483)	(2,012)	961
Net profit attributable to shareholders	<b>101,880</b>	133,883	103,312	51,043	48,028

### ASSETS AND LIABILITIES

	As at 30 September				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	<b>1,365,810</b>	1,049,023	897,509	797,362	804,954
Total liabilities	<b>(769,449)</b>	(514,654)	(355,262)	(294,983)	(335,597)
Minority interests	<b>(19,762)</b>	(18,900)	(15,181)	(14,588)	(15,155)
Net assets	<b>576,599</b>	515,469	527,066	487,791	454,202
Net asset value per share – expressed in dollars	<b>1.85</b>	1.65	1.57	1.37	1.27

# Corporate Information

## BOARD OF DIRECTORS

- \* Mr. Poon Hon Kam, F.H.K.S.A. (*Chairman*)
- Mr. Lam Foo Wah (*Managing Director*)
- Mr. Ip Weng Kun (*Deputy Managing Director*)
- Mr. Hui Yip Wing, David
- Mr. Wong Shing Loong, Raymond
- Ms. So Siu Hang, Patricia
- Mr. Jack Weinstock
- \*\* Mr. Chan Wah Tip, Michael, *Solicitor*
- \*\* Mr. Woo King Wai, David

\* *being non-executive*

\*\* *being independent non-executive*

## SECRETARY

Mr. Lin Yuet Man, Edwin

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Bermuda

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New Territories  
Hong Kong

## INTERNET WEB SITE

[www.highfashion.com.hk](http://www.highfashion.com.hk)

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Hamilton HM11  
Bermuda

## SUB-REGISTRAR AND TRANSFER AGENT IN HONG KONG

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## PRINCIPAL BANKERS

Standard Chartered Bank  
Citibank, N.A.  
The Hongkong and Shanghai Banking  
Corporation Limited  
Citic Ka Wah Bank Limited  
KBC Bank N.V.  
Fortis Bank Asia HK  
The Bank of East Asia, Limited  
Bank of China (Hong Kong) Limited

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