Notes to financial statements

31 March 2002

1. Corporate information

During the year, the Group was principally involved in the manufacturing, retailing and wholesaling of fashion apparel and complementary accessories.

The Company is a subsidiary of Gay Giano (BVI) Group Limited, a company incorporated in the British Virgin Islands, which is considered by the directors to be the Company's ultimate holding company.

2. Impact of new and revised Hong Kong Statements of Standard Accounting Practice

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs and Interpretations prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirement of this SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 26 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 10 and 22 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

3. Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 periodic remeasurement of investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 31 March 2002. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective date of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies of the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Co-operative joint ventures established in the People's Republic of China

A co-operative joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity of which the joint venture parties' profit sharing ratios and the share of net assets upon the expiration of the joint venture terms are not in proportion to their equity ratios but are defined in the joint venture contracts.

A co-operative joint venture is treated as a subsidiary if, under the joint venture contract, the Group controls the composition of the board of directors and has control over the financial and operating policies of the co-operative joint venture.

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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. Summary of significant accounting policies (continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses.

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.

Depreciation is calculated to write off the cost of each of the following assets over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms, on straight-line basis
Buildings	2% to 2.5%, on straight-line basis
Leasehold improvements	Over the lease terms, on reducing balance basis
Plant and machinery	20%, on reducing balance basis
Furniture and fixtures	20%, on reducing balance basis
Motor vehicles	25%, on reducing balance basis

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. Such properties are not depreciated and are stated at 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.

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 shorter of the lease terms and 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.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. 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 further costs expected to be incurred to completion and disposal.

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.

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.

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;

(c) rental income, on a straight-line basis over the lease terms; and

(d) royalty fee income, on accrual basis in accordance with the terms of the agreements.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 18 (Revised), have given rise to prior year adjustment in the Company's financial statements, further details of which are included in notes 10 and 22 to the financial statements.

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 denominated in foreign currencies are translated into Hong Kong dollars for inclusion in the Group's consolidated financial statements at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. Summary of significant accounting policies (continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Accounts receivable

Sales to customers are largely settled in cash and by credit cards, except for established customers, where credit terms are given. Invoices to customers on credit are normally payable within 90 days from the date of issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

4. Segment information

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the fashion apparel segment engages in the manufacturing, retailing and wholesaling of fashion apparel and complementary accessories under the brand names of Gay Giano, Cour Carré and Due G;

(b) the property investment segment invests in residential properties for its rental income potential; and

(c) the corporate and other segment comprises the Group's management services business.

In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4. Segment information (continued)

(a) Business segments

The following table presents revenue, results and certain assets, liabilities and expenditure information for the business segments of the Group.

	Fashion apparel		Property investment		Corporate and other		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**244,918**	239,182	**–**	–	**–**	–	**244,918**	239,182
Other revenue	**1,189**	84	**840**	984	**979**	74	**3,008**	1,142
Total	**246,107**	239,266	**840**	984	**979**	74	**247,926**	240,324
Segment results	**3,815**	13,250	**384**	859	**(1,745)**	(1,378)	**2,454**	12,731
Interest income							**120**	1,094
Profit from operating activities							**2,574**	13,825
Finance costs							**(3,014)**	(4,708)
Profit/(loss) before tax							**(440)**	9,117
Tax							**(449)**	(758)
Net profit/(loss) from ordinary activities attributable to shareholders							**(889)**	8,359

	Fashion apparel		Property investment		Corporate and other		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**96,615**	122,382	**24,513**	24,361	**–**	–	**121,128**	146,743
Unallocated assets	**–**	–	**–**	–	**2,360**	2,613	**2,360**	2,613
Total assets	**96,615**	122,382	**24,513**	24,361	**2,360**	2,613	**123,488**	149,356
Segment liabilities	**49,118**	73,431	**115**	83	**–**	–	**49,233**	73,514
Unallocated liabilities	**–**	–	**–**	–	**967**	202	**967**	202
Total liabilities	**49,118**	73,431	**115**	83	**967**	202	**50,200**	73,716
Other segment information:								
Depreciation	**4,129**	3,620	**73**	21	**268**	151	**4,470**	3,792
Other non-cash items	**1,869**	5,255	**–**	–	**–**	–	**1,869**	5,255
Deficit on revaluation of investment properties recognised directly in equity	**–**	–	**1,470**	3,100	**–**	–	**1,470**	3,100
Capital expenditure	**3,231**	12,944	**325**	–	**664**	651	**4,220**	13,595

4. Segment information (continued)

(b) Geographical segments

The following table presents certain revenue, results, assets and expenditure information for the geographical segments of the Group.

	Hong Kong		People's Republic of China		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Sales to external customers	**232,043**	227,771	**12,875**	11,411	**244,918**	239,182
Segment results	**2,087**	12,373	**367**	358	**2,454**	12,731
Other segment information:						
Segment assets	**89,948**	111,272	**33,540**	38,084	**123,488**	149,356
Capital expenditure	**3,911**	12,519	**309**	1,076	**4,220**	13,595

5. Turnover and revenue

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts, and after elimination of intra-group transactions. The Group's revenue is derived predominantly from retail and wholesale of ladies' and men's fashion apparel and complementary accessories.

6. Profit/(loss) before tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2002	2001
	HK$'000	HK$'000
Cost of inventories sold	**104,171**	90,286
Provision for inventory obsolescence*	**1,774**	4,690
Depreciation*	**4,470**	3,792
Minimum lease payments under operating leases on land and buildings*	**54,616**	51,579
Interest expense on:		
Bank loans and overdrafts	**2,870**	3,302
Finance leases	**138**	132
Other loans wholly repayable within five years	**6**	1,274
	3,014	4,708
Staff costs (excluding directors' remuneration, note 7)*:		
Wages and salaries	**54,050**	54,034
Provident fund contributions	**2,643**	653
	56,693	54,687
Auditors' remuneration	**880**	760
Loss on disposal of fixed assets	**95**	565
Exchange losses, net	**7**	26
Royalty fee income	**(947)**	–
Net rental income	**(840)**	(984)
Interest income	**(120)**	(1,094)

* Cost of inventories sold includes HK$8,907,000 (2001: HK$13,792,000) relating to direct staff costs, operating lease rentals on land and buildings, provision for inventory obsolescence and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Directors' remuneration

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**116**	156
	116	156
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,904**	2,615
Provident fund contributions	**36**	10
	1,940	2,625
	2,056	2,781

The remuneration of the directors of the Company during the year fell within the band of Nil – HK$1,000,000 (2001: Nil – HK$1,000,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

8. Five highest paid employees

The five highest paid employees during the year included three (2001: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2001: three) highest paid, non-director employees are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,679**	2,362

The number of highest paid, non-director employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2002	2001
Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	1
	2	3

During the year, no emoluments were paid by the Group to any of the two (2001: three) highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates applicable in the respective jurisdictions, based on the existing legislation, interpretations and practices in respect thereof.

	Group	
	2002	2001
	HK$'000	HK$'000
Current:		
Hong Kong	**253**	280
Overseas	**415**	509
Overprovision in the prior year	**(224)**	(290)
Deferred tax charge – note 20	**5**	259
Tax charge for the year	**449**	758

Shenzhen Longwei Fashion Mfg. Co., Ltd. ("SLFM") was exempted from standard income tax rate of 15% for two years from its first profit-making year of operations and thereafter is eligible for a 50% relief from income tax for the following three years under the Income Tax Law of the People's Republic of China (the "PRC"). SLFM was entitled to a 50% relief from the PRC income tax for the year ended 31 December 2001, which was its fourth profitable year.

10. Net profit/(loss) from ordinary activities attributable to shareholders

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company was HK$6,106,000 (2001: profit of HK$12,349,000, as restated).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net debit of HK$11,600,000 to the Company's retained profits as at 1 April 2000 and a net credit of the same amount to the net profit for the year ended 31 March 2001. The prior year adjustment reversed dividend from a subsidiary which was declared and approved by the subsidiary after 31 March 2000, but which was recognised by the Company as revenue in its financial statements for that year. The prior year adjustment resulted in no change to the amount of retained profits as at 1 April 2001. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 22 to the financial statements.

11. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK$889,000 (2001: profit of HK$8,359,000) and the weighted average of 200,008,750 (2001: 198,356,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 March 2002 has not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 March 2001 is based on the net profit from ordinary activities attributable to shareholders for that year of HK$8,359,000 and 199,110,387 ordinary shares, being the weighted average number of ordinary shares outstanding during the year ended 31 March 2001, adjusted for the effects of dilutive potential ordinary shares outstanding during the year.

12. Fixed assets

Group

	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2001	23,500	8,160	24,446	3,718	14,647	4,286	78,757
Additions	–	–	1,816	2	2,076	942	4,836
Disposals	–	–	–	–	–	(1,245)	(1,245)
Deficit on revaluation	(1,470)	–	–	–	–	–	(1,470)
At 31 March 2002	**22,030**	**8,160**	**26,262**	**3,720**	**16,723**	**3,983**	**80,878**
Analysis of cost or valuation:							
At cost	–	8,160	26,262	3,720	16,723	3,983	58,848
At valuation	22,030	–	–	–	–	–	22,030
	22,030	8,160	26,262	3,720	16,723	3,983	80,878
Accumulated depreciation:							
At 1 April 2001	–	14	13,732	2,551	9,819	1,808	27,924
Provided during the year	–	161	2,253	213	1,198	645	4,470
Disposals	–	–	–	–	–	(680)	(680)
At 31 March 2002	**-**	**175**	**15,985**	**2,764**	**11,017**	**1,773**	**31,714**
Net book value:							
At 31 March 2002	**22,030**	**7,985**	**10,277**	**956**	**5,706**	**2,210**	**49,164**
At 31 March 2001	23,500	8,146	10,714	1,167	4,828	2,478	50,833

The net book value of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 March 2002 amounted to HK$1,709,000 (2001: HK$1,730,000).

All of the investment properties of the Group were revalued on 31 March 2002 by FPDSavills (Hong Kong) Limited ("FPD"), an independent firm of professional valuers, at HK$22,030,000 (2001: HK$23,500,000) on an open market, existing use basis. A deficit of HK$1,470,000 (2001: HK$3,100,000) arising therefrom was charged to the investment property revaluation reserve (note 22).

The Group's leasehold land and buildings and investment properties are situated in Hong Kong and are held under medium term leases. The leasehold land and buildings and certain investment properties of the Group are pledged to secure banking facilities granted to the Group (note 16).

Further particulars of the investment properties of the Group are included on page 15 to this annual report.

13. Interests in subsidiaries

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted shares, at cost	**32,251**	32,251
Due from subsidiaries	**47,186**	47,184
	79,437	79,435
Provision for impairment	**(5,518)**	–
	73,919	79,435

The balances with subsidiaries are unsecured, bear interest at Hong Kong dollar prime rate plus 0.5% per annum and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Gay Giano Holdings Limited	British Virgin Islands	US$1,000	100	Investment holding
Indirectly held:				
Belarus Limited	Hong Kong	HK$3,000	100	Sourcing of materials and investment holding
Cour Carré (Asia) Limited	British Virgin Islands	US$1	100	Investment holding
Cour Carré Company Limited	Hong Kong	HK$1,000	100	Retail of fashion apparel and complementary accessories
Cour Carré World Limited	British Virgin Islands/ PRC	US$1	100	Wholesale of fashion apparel and complementary accessories
Due G Company Limited	Hong Kong	HK$10,000	100	Retail of fashion apparel and complementary accessories
Gay Giano Asia Limited	British Virgin Islands/ PRC	US$1	100	Wholesale of fashion apparel and complementary accessories

13. Interests in subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of paid-up issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
Gay Giano Company Limited	Hong Kong	HK$1,000,000	100	Retail of fashion apparel and complementary accessories
Gay Giano Decoration Limited	Hong Kong	HK$2	100	Provision of decoration services
Gay Giano International Limited	Hong Kong	HK$1,000	100	Investment holding and provision of administrative services
Gay Giano Technology Limited	British Virgin Islands/ Hong Kong	US$1	100	Provision of information technology services
Maxrola Limited	Hong Kong	HK$2	100	Property investment
Sarchio Limited	Hong Kong	HK$10,000	100	Property investment
Shenzhen Longwei Fashion Mfg. Co., Ltd.* (the "SLFM")	PRC	HK$12,000,000	100	Manufacture and distribution of fashion apparel

* SLFM is a co-operative joint venture established by the Group and a partner in the PRC for a period of ten years commencing from the date of the issuance of its business licence on 3 May 1996. Subject to the payment of a fixed sum of RMB436,320 per annum to the PRC partner, the Group is entitled to all of the profits and shall bear all of the losses of SLFM.

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.

14. Inventories

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**13,974**	15,089
Work in progress	**1,701**	1,601
Finished goods	**31,073**	42,929
	46,748	59,619

At the balance sheet date, no inventories (2001: Nil) were stated at net realisable value.

15. Accounts receivable

An aged analysis of the Group's accounts receivable at the balance sheet date, based on the invoice date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
0 – 30 days	**1,690**	2,063
31 – 60 days	**174**	1,187
Over 60 days	**1,781**	487
	3,645	3,737

16. Banking borrowings

	Group	
	2002	2001
	HK$'000	HK$'000
Secured bank loans repayable:		
Within one year	**1,583**	1,604
In the second year	**1,101**	1,531
In the third to fifth years, inclusive	**2,369**	2,822
After five years	**2,451**	3,193
	7,504	9,150
Portion classified as current liabilities	**(1,583)**	(1,604)
Long term portion	**5,921**	7,546

At 31 March 2002, the banking facilities of the Group were supported by:

(i) legal charges over medium term leasehold land and buildings and certain investment properties of the Group (note 12);

(ii) pledge of a bank deposit of the Group of HK$2,000,000; and

(iii) corporate guarantees executed by the Company and certain subsidiaries of the Group.

17. Accounts payable

An aged analysis of the Group's accounts payable is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
0 – 30 days	**3,434**	5,129
31 – 60 days	**560**	1,639
Over 60 days	**2,773**	3,741
	6,767	10,509

18. Other loan

Other loan of HK$162,000 (2001: HK$220,000) is unsecured, bears interest at Hong Kong dollar prime rate plus 2% per annum and is repayable by monthly instalments.

19. Finance lease payables

The Group conducted a portion of its operation by leasing certain motor vehicles. The leases are classified as finance leases and have remaining lease terms ranging from less than one year to three years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

	Minimum lease payments 2002 HK$'000	Minimum lease payments 2001 HK$'000	**Present value of minimum lease payments 2002 HK$'000**	Present value of minimum lease payments 2001 HK$'000
Amounts payable:				
Within one year	**622**	876	**536**	764
In the second year	**254**	497	**210**	428
In the third to fifth years, inclusive	**141**	165	**117**	127
Total minimum finance lease payments	**1,017**	1,538	**863**	1,319
Future finance charges	**(154)**	(219)		
Total net finance lease payables	**863**	1,319		
Portion classified as current liabilities	**(536)**	(764)		
Long term portion	**327**	555		

SSAP 14 (Revised) was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

20. Deferred tax

	Group	
	2002 HK$'000	2001 HK$'000
At beginning of year	**514**	255
Charge for the year – note 9	**5**	259
At balance sheet date	**519**	514

The principal components of the Group's deferred tax liabilities provided for mainly represent accelerated depreciation allowances.

The revaluation of the Group's investment properties does not constitute a timing difference and, therefore, the amount of potential deferred tax thereon has not been quantified.

The Company and the Group had no unprovided deferred tax at the balance sheet date (2001: Nil).

21. Share capital

Shares

	2002 **HK$'000**	2001 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
200,030,000 (2001: 200,000,000) ordinary shares of HK$0.10 each	**20,003**	20,000

The following changes in the Company's issued capital took place during the years ended 31 March 2001 and 2002:

(i) On 13 April 2000, 50,000,000 shares of HK$0.10 each were issued to the public at HK$1.20 each for a total cash consideration, before related issuing expenses, of HK$60,000,000.

(ii) On 15 December 2001, share options to subscribe for 30,000 shares in the Company under the share option scheme (the "Scheme") operated by the Company were exercised and, accordingly, 30,000 shares were issued for a total consideration of approximately HK$7,000. The excess of the proceeds over the par value of the shares issued was credited to the share premium account.

A summary of the above movements in the issued capital of the Company is as follows:

	Number of ordinary shares of HK$0.10 each		**Amount**	
	2002 **'000**	2001 '000	**2002** **HK$'000**	2001 HK$'000
Balance at beginning of year	**200,000**	150,000	**20,000**	200
New issue on public listing	**–**	50,000	**–**	5,000
Capitalisation of share premium account	**–**	–	**–**	14,800
Share options exercised	**30**	–	**3**	–
	200,030	200,000	**20,003**	20,000

Share options

Details of the Scheme are set out under the heading "Share option scheme" in the Report of the Directors.

At the balance sheet date, the Company had 15,640,000 options and 2,940,000 options outstanding under the Scheme, with exercise periods from 5 February 2001 to 4 February 2011 and 1 June 2000 to 31 December 2002 and exercise prices of HK$0.2528 and HK$1.5792, respectively. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 18,580,000 additional shares HK$0.10 each and proceeds of approximately HK$8,597,000.

As at the date of this report, all of the aforementioned share options remained outstanding.

22. Reserves

Group	Share premium account HK$'000	Exchange fluctuation reserve HK$'000	Investment property revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2000	–	116	4,602	19,546	24,264
Issue of shares to public	55,000	–	–	–	55,000
Capitalisation on issue of shares	(14,800)	–	–	–	(14,800)
Share issue expenses	(14,083)	–	–	–	(14,083)
Deficit on revaluation (note 12)	–	–	(3,100)	–	(3,100)
Net profit for the year	–	–	–	8,359	8,359
At 31 March 2001 and 1 April 2001	26,117	116	1,502	27,905	55,640
Exercise of share options	4	–	–	–	4
Deficit on revaluation (note 12)	–	–	(1,470)	–	(1,470)
Net loss for the year	–	–	–	(889)	(889)
At 31 March 2002	26,121	116	32	27,016	53,285

Company	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2000				
As previously reported	–	32,051	470	32,521
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividend from a subsidiary no longer recognised as an income (notes 2 and 10)	–	–	(11,600)	(11,600)
As restated	–	32,051	(11,130)	20,921
Net profit for the year (as restated)	–	–	12,349	12,349
Issue of shares to public	55,000	–	–	55,000
Capitalisation on issue of shares	(14,800)	–	–	(14,800)
Share issue expenses	(14,083)	–	–	(14,083)
At 31 March 2001 and 1 April 2001	26,117	32,051	1,219	59,387
Exercise of share options (note 21)	4	–	–	4
Net loss for the year	–	–	(6,106)	(6,106)
At 31 March 2002	26,121	32,051	(4,887)	53,285

The contributed surplus of the Company arose as a result of the Group reoganisation implemented during the year ended 31 March 2000 and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor.

23. Notes to the consolidated cash flow statement

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

	2002 HK$'000	2001 HK$'000
Profit from operating activities	**2,574**	13,825
Interest income	**(120)**	(1,094)
Depreciation	**4,470**	3,792
Loss on disposal of fixed assets	**95**	565
Decrease/(increase) in inventories	**12,871**	(19,270)
Decrease/(increase) in accounts receivable	**92**	(623)
Decrease/(increase) in prepayments, deposits and other receivables	**5,369**	(399)
Increase/(decrease) in accounts payable	**(3,742)**	1,014
Increase in accrued liabilities and other payables	**4,014**	295
Increase/(decrease) in trust receipt loans with original maturity of over three months	**(21,172)**	8,938
Net cash inflow from operating activities	**4,451**	7,043

(b) Analysis of changes in financing during the year

	Issued capital and share premium account HK$'000	Bank and other loans HK$'000	Finance lease obligations HK$'000
At 1 April 2000	200	22,781	472
Inception of finance leases	–	–	1,536
Net cash inflow/(outflow) from financing	45,917	(13,411)	(689)
At 31 March 2001 and 1 April 2001	46,117	9,370	1,319
Inception of finance lease	–	–	616
Net cash inflow/(outflow) from financing	7	(1,704)	(1,072)
At 31 March 2002	**46,124**	**7,666**	**863**

(c) Major non-cash transaction

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$616,000 (2001: HK$1,536,000).

24. Contingent liabilities

At 31 March 2002, the Company had provided guarantees to banks for banking facilities utilised by certain of its subsidiaries to the extent of approximately HK$24,320,000 (2001: HK$47,848,000).

At 31 March 2002, the Group had no significant contingent liabilities (2001: Nil).

25. Pledge of assets

Details of the Group's banking facilities secured by assets of the Group are included in note 16 to the financial statements.

26. Operating lease arrangements

(a) As lessor

The Group leases certain investment properties (note 12) under operating lease arrangements for a term of one year.

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**490**	490

(b) As lessee

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from one to ten years.

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

	Group	
	2002	2001
	HK$'000	HK$'000
		(Restated)
Within one year	**40,392**	46,730
In the second to fifth years, inclusive	**20,828**	37,729
Beyond five years	**–**	68
	61,220	84,527

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

27. Commitments

At the balance sheet date, neither the Company nor the Group had any other significant commitments (2001: Nil).

28. Post balance sheet event

Subsequent to the balance sheet date, Cheung Yin Sheung, Subraina ("Ms. Cheung") and Yung Wing Sze, Vivian ("Ms. Yung"), two directors of the Company, advanced a total of approximately HK$6.7 million to the Group. The advances are unsecured and interest-free. Ms. Cheung and Ms. Yung have undertaken not to demand repayment of such advances before 31 July 2003.

29. Connected and related party transactions

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

	Notes	**2002** **HK$'000**	2001 HK$'000
Rental expenses paid to Boldsmore International Limited ("Boldsmore")	(a)	**2,184**	2,184
Rental income from Cheung Sing Chi	(b)	**–**	130
Rental income from certain relatives of certain directors of the Company	(b)	**492**	499

Notes:

(a) The rental expenses paid to Boldsmore, a fellow subsidiary of the Company, were determined by the directors with reference to the then market conditions.

(b) The rental income from Cheung Sing Chi, a director of the Company, and certain relatives of certain directors of the Company was determined by the directors with reference to the then market conditions.

Further details of the above-mentioned transactions are included under the heading "Connected transactions" in the Report of the Directors.

30. Comparative amounts

As further explained in notes 2 and 10 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been reclassified and revised to conform with the current year's presentation.

31. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 29 July 2002.