

# Notes to financial statements

March 31, 2004

## 1. General

The Company is an exempted limited company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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.

The Company acts as an investment holding company. The Group is principally involved in the manufacturing, retailing and wholesaling of fashion apparel and complementary accessories. The activities of its principal subsidiaries are set out in note 28.

## 2. Adoption of Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA.

### Income Taxes

In the current year, the Group has adopted SSAP 12 (Revised) — "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this standard has had no material effect on the results for the prior accounting periods. Accordingly, no prior period adjustment is required.

## 3. Summary of Significant Accounting Policies

The financial statements are prepared under the historical cost convention, as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

### Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

### Interests in subsidiaries

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

### 3. Summary of Significant Accounting Policies (continued)

#### Co-operative joint ventures established in the People's Republic of China ("PRC")

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.

#### Revenue recognition

Revenue from the sale of goods is recognised when goods are delivered to customers and title has passed.

Interest income from bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rate applicable.

Royalty fee income is recognised on accrual basis in accordance with the terms of the agreements.

Dividend income is recognised when the right to receive payment is established.

#### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalization of such borrowing costs ceases when the asset is substantially ready for its intended use or sale.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

#### Leases

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

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### Foreign currencies

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

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. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### 3. Summary of Significant Accounting Policies (continued)

#### Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years. And it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as revaluation increase under that SSAP.

#### Property, plant and equipment

Property, plant and equipment other than investment properties are stated at cost less depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives. 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

### 3. Summary of Significant Accounting Policies (continued)

#### Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

#### Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, and which are held for their long term investment potential, any rental income being negotiated at arm's length.

No depreciation is provided for investment properties which are held on leases with an unexpired term of more than 20 years. Investment properties are stated at their open market value based on professional valuations at the balance sheet date.

Any surplus or deficit arising on the valuation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the subsequent sale of an investment property, the attributable revaluation surplus is transferred to income statement.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises direct materials, direct labour and an appropriate proportion of overheads that have been incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

#### 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.

#### Cash equivalents

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

#### 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.

### 4. Turnover

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts, from retail and wholesale of ladies' and men's fashion apparel and complementary accessories.

## 5. Segment Information

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 business 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.

### (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	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	122,257	150,981	—	—	—	—	122,257	150,981
Other revenue	72	206	1,448	7	1,059	871	2,579	1,084
<b>Total</b>	<b>122,329</b>	<b>151,187</b>	<b>1,448</b>	<b>7</b>	<b>1,059</b>	<b>871</b>	<b>124,836</b>	<b>152,065</b>
Segment results	(7,492)	(22,136)	665	(5,392)	(1,021)	(696)	(7,848)	(28,224)
Interest income							1	11
Loss from operation							(7,847)	(28,213)
Finance costs							(575)	(1,019)
Loss before taxation							(8,422)	(29,232)
Taxation							(70)	293
<b>Net loss for the year</b>							<b>(8,492)</b>	<b>(28,939)</b>

## 5. Segment Information (continued)

### (a) Business segments (continued)

	Fashion apparel		Property investment		Corporate and other		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment assets	50,416	63,000	4,016	16,559	—	—	54,432	79,559
Unallocated assets	—	—	—	—	126	1,814	126	1,814
<b>Total assets</b>	<b>50,416</b>	<b>63,000</b>	<b>4,016</b>	<b>16,559</b>	<b>126</b>	<b>1,814</b>	<b>54,558</b>	<b>81,373</b>
Segment liabilities	16,414	35,983	20	31	—	—	16,434	36,014
Unallocated liabilities	—	—	—	—	2,299	1,042	2,299	1,042
<b>Total liabilities</b>	<b>16,414</b>	<b>35,983</b>	<b>20</b>	<b>31</b>	<b>2,299</b>	<b>1,042</b>	<b>18,733</b>	<b>37,056</b>
Other segment information:								
Depreciation	2,473	3,318	18	64	5	236	2,496	3,618
Other non-cash items	3,585	7,189	399	1,113	—	17	3,984	8,319
Deficit on revaluation of investment properties recognised directly in equity	—	—	—	915	—	—	—	915
Capital expenditure	681	1,003	48	7	—	100	729	1,110

### (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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue						
Sales to external customers	117,474	144,835	4,783	6,146	122,257	150,981
<b>Segment results</b>	<b>(7,805)</b>	<b>(27,595)</b>	<b>(43)</b>	<b>(629)</b>	<b>(7,848)</b>	<b>(28,224)</b>
Other segment information:						
Segment assets	43,076	68,337	11,482	13,036	54,558	81,373
Capital expenditure	532	1,088	197	22	729	1,110

## 6. Loss From Operation

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Loss from operation has been arrived at after charging:		
Staff costs (excluding directors' remuneration, note 8)*		
Wages and salaries	32,435	39,284
Retirement benefits	2,818	2,099
	<hr/>	<hr/>
	35,253	41,383
Cost of inventories sold	45,601	61,783
Provision for inventory obsolescence*	2,433	3,422
Depreciation of property, plant and equipment*		
Owned assets	2,383	3,342
Assets held under finance leases	113	276
Minimum lease payments under operating leases on land and buildings*	35,058	47,438
Auditors' remuneration	280	309
Loss on disposal of property, plant and equipment	1,551	4,897
Deficit on revaluation of investment properties	—	3,955
Exchange losses, net	798	1,135
	<hr/>	<hr/>
And after crediting:		
Surplus on revaluation of investment properties	1,230	—
Gain on disposal of investment properties	218	—
Royalty fee income	1,059	871
Interest income	1	11
	<hr/>	<hr/>

\* Cost of inventories sold includes HK\$7,762,000 (2003: HK\$8,777,000) relating to direct staff costs, operating lease rentals on land and buildings, provision for inventory obsolescence and depreciation of the manufacturing facilities, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

## 7. Finance Costs

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Interest expense on:		
Bank loans and overdrafts	165	654
Finance leases	46	85
Other loans not wholly repayable within five years	364	280
	<hr/>	<hr/>
Total finance costs	575	1,019
	<hr/>	<hr/>

## 8. Directors' Remuneration

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	116	116
	<hr/>	<hr/>
	116	116
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	1,759	1,711
Provident fund contributions	36	37
	<hr/>	<hr/>
	1,795	1,748
	<hr/>	<hr/>
	1,911	1,864
	<hr/>	<hr/>

The remuneration of all the 6 directors of the Company during the year fell within the band of Nil-HK\$1,000,000 (2003:Nil-HK\$1,000,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2003: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.

## 9. Five Highest Paid Employees

The five highest paid employees during the year included three (2003:three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2003:two) highest paid, non-director employees are as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	965	1,645

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

	Number of employees	
	2004	2003
Nil – HK\$1,000,000	2	2

During the year, no emoluments were paid by the Group to any of the two (2003:two) highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.



## 10. Taxation

	THE GROUP	
	2004 HK\$	2003 HK\$
The charge/(credit) comprises:		
Provision for the year		
Hong Kong	36	90
Overseas	43	91
(Over)/under provision in the prior year	(9)	45
Deferred taxation — <i>note 21</i>	—	(519)
	<hr/>	<hr/>
	70	(293)

Provision for Hong Kong Profits Tax is calculated at 17.5% (2003:16%) of the estimated assessable profits arising in Hong Kong during the year.

The Company's subsidiary established in the PRC is subject to Enterprise Income Tax at a rate of 15%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The charge/(credit) for the year can be reconciled to the profit per the income statement as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
Loss before tax	(8,422)	(29,232)
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(1,474)	(4,677)
Net tax effect of income and expenses items which are not assessable or deductible for income tax purpose	114	155
Tax effect of utilization of tax losses not previously recognized	(110)	(162)
Tax losses of the year not recognized	1,484	4,505
(Over)/under provision in the prior year	(9)	45
Effect of different tax rates of subsidiaries operating in other jurisdictions	65	(159)
	<hr/>	<hr/>
Tax charge/(credit) for the year	70	(293)

## 11. Loss Per Share

The calculation of basic loss per share is based on the net loss for the year of HK\$8,492,000 (2003: HK\$28,939,000) and the weighted average of 200,030,000 (2003: 200,030,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended March 31, 2004 and March 31, 2003 have not been disclosed as the potential ordinary shares outstanding during the years had an anti-dilutive effect on the basic loss per share for the years.

## 12. Property, Plant and Equipment

	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
<b>THE GROUP</b>							
<b>COST OR VALUATION:</b>							
At April 1, 2003	16,130	8,160	16,226	3,362	15,862	3,983	63,723
Additions	—	—	336	—	237	156	729
Disposals	(13,480)	—	(3,739)	—	(1,775)	(249)	(19,243)
Surplus on revaluation	1,230	—	—	—	—	—	1,230
<b>At March 31, 2004</b>	<b>3,880</b>	<b>8,160</b>	<b>12,823</b>	<b>3,362</b>	<b>14,324</b>	<b>3,890</b>	<b>46,439</b>
<b>Analysis of cost or valuation:</b>							
At cost	—	8,160	12,823	3,362	14,324	3,890	42,559
At valuation — 2004	3,880	—	—	—	—	—	3,880
	3,880	8,160	12,823	3,362	14,324	3,890	46,439
<b>DEPRECIATION:</b>							
At April 1, 2003	—	333	10,676	2,639	10,924	2,266	26,838
Charge for the year	—	155	926	131	898	386	2,496
Written back on disposals	—	—	(2,561)	—	(1,421)	(208)	(4,190)
<b>At March 31, 2004</b>	<b>—</b>	<b>488</b>	<b>9,041</b>	<b>2,770</b>	<b>10,401</b>	<b>2,444</b>	<b>25,144</b>
<b>NET BOOK VALUE:</b>							
<b>At March 31, 2004</b>	<b>3,880</b>	<b>7,672</b>	<b>3,782</b>	<b>592</b>	<b>3,923</b>	<b>1,446</b>	<b>21,295</b>
At March 31, 2003	16,130	7,827	5,550	723	4,938	1,717	36,885

Net book value of property, plant and equipment held under finance leases included in the total amount of motor vehicles at March 31, 2004 amounted to HK\$386,000 (2003: HK\$493,000).

All of the investment properties of the Group were revalued on March 31, 2004 by FPD Savills (Hong Kong) Limited an independent firm of professional valuers, on an open market, existing use basis.

This valuation gave rise to a revaluation surplus of HK\$1,230,000 (2003: deficit of HK\$4,870,000), in which, HK\$Nil (2003: HK\$915,000) was charged to the investment property revaluation reserve, and the balance of HK\$1,230,000 (2003: HK\$3,955,000 was charged) was credited to income statement.

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 investment properties of the Group with net book value of HK\$11,552,000 (2003: \$23,957,000) are pledged to secure banking facilities and other loans granted to the Group (note 17 and note 18).

Details of the investment property held by the Group as at March 31, 2004 is as follows:

Description	Interest in property attributable to the Group	Type of lease	Existing use
Flat B, 11/F., Block 8, Wonderland Villas, No. 9 Wah King Hill Road, Kwai Chung, New Territories	100%	Medium	Staff quarter and seek for other investment opportunities

### 13. Interests in Subsidiaries

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	32,251	32,251
Amounts due from subsidiaries	45,970	46,276
	<hr/>	<hr/>
Provision for impairment	78,221 (11,018)	78,527 (5,518)
	<hr/>	<hr/>
	67,203	73,009

Particulars of the principal subsidiaries of the Company at March 31, 2004 are set out in note 28.

The amounts due from subsidiaries are unsecured, interest bearing at Hong Kong dollar prime rate plus 0.5% per annum and have no fixed terms of repayment. The directors do not expect to call for repayment of the amount within twelve months of the balance sheet date.

### 14. Inventories

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	5,895	6,065
Work in progress	1,319	1,208
Finished goods	10,092	16,670
	<hr/>	<hr/>
	17,306	23,943

At the balance sheet date, carrying value of inventories stated at net realisable value amounted to HK\$Nil (2003: Nil).

### 15. Accounts Receivables

The following is an ageing analysis of accounts receivables at the balance sheet date, based on the invoice date:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	1,100	1,225
31 – 60 days	305	233
Over 60 days	864	1,532
	<hr/>	<hr/>
	2,269	2,990

Normal credit term granted by the Group to its customers ranges from 30 to 60 days from the invoice date.

## 16. Accounts Payables

The following is an ageing analysis of accounts payables at the balance sheet date:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	2,286	1,535
31 – 60 days	632	239
Over 60 days	354	1,616
	<hr/>	<hr/>
	3,272	3,390

## 17. Bank Loans

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Secured bank loans repayable:		
Within one year	522	818
In the second year	540	848
In the third to fifth years, inclusive	1,739	2,729
After five years	1,266	1,896
	<hr/>	<hr/>
	4,067	6,291
<i>Less: Amount due within one year shown under current liabilities</i>	<hr/>	<hr/>
	(522)	(818)
	<hr/>	<hr/>
	3,545	5,473

At March 31, 2004 the banking facilities of the Group were secured by legal charges over leasehold land and buildings of the Group (note 12).

## 18. Other Loans

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Secured other loans repayable:		
Within one year	369	991
In the second year	218	871
In the third to fifth years, inclusive	722	2,889
After five years	1,043	5,147
	<hr/>	<hr/>
	2,352	9,898
<i>Less: Amount due within one year shown under current liabilities</i>	<hr/>	<hr/>
	(369)	(991)
	<hr/>	<hr/>
	1,983	8,907

At March 31, 2004 the other loans of the Group were secured by legal charges over the investment property of the Group (note 12).

## 19. Finance Lease Payables

The Group leased certain of its motor vehicles. The leases are classified as finance leases and have remaining lease terms ranging from less than one year to three years.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

At March 31, 2004, the total future minimum lease payments under finance leases and their present values, were as follows:—

	Minimum lease payments 2004 HK\$'000	Minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2004 HK\$'000	Present value of minimum lease payments 2003 HK\$'000
Within one year	192	255	165	209
In the second year	46	141	44	118
In the third to fifth years, inclusive	—	—	—	—
Total minimum finance lease payments	238	396	209	327
Less:				
Future finance charges	(29)	(69)		
Present value of lease obligations	209	327		
Less: Amount due within one year shown under current liabilities	(165)	(209)		
	44	118		

## 20. Amounts Due to Directors

The amounts are unsecured, non-interest bearing and were fully repaid during the year.

## 21. Deferred Taxation

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Balance at beginning of the year	—	519
Reversed for the year — note 10	—	(519)
Balance at end of the year	—	—

The major components of the Group's deferred tax liabilities provided for at April 1, 2002 is attributable to accelerated depreciation allowances.

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

The Company and the Group had no material unprovided deferred tax at the balance sheet date (2003:Nil).

## 22. Share Capital

### Shares

	2004 HK\$'000	2003 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 ordinary shares of HK\$0.10 each	20,003	20,003

### Share options

The operation of the share option scheme adopted by the Company on March 14, 2000 (the "Old Scheme") was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

On September 10, 2002, at the annual general meeting, the Company adopted a new share option scheme (the "New Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue upon completion of the share offer and the capitalization issue at the time dealings in the shares commence on the Stock Exchange unless a fresh approval from the shareholders of the Company has been obtained.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the New Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the issued share capital of the Company.

Option granted under the New Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK\$1.00 to the Company as consideration for the grant.

The subscription price for the shares under the New Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall not be lower than the higher of: (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the offer date, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

#### (a) *Movements in share options*

	2004 Number	2003 Number
At beginning of the year	15,490,000	18,580,000
Lapsed	—	(2,940,000)
Cancelled	(110,000)	(150,000)
At end of the year	15,380,000	15,490,000

#### (b) *Terms of unexpired and unexercised share options at balance sheet date*

Date granted	Exercise period	Exercise price	2004 Number	2003 Number
February 5, 2001	February 5, 2001 to February 4, 2011	HK\$0.2528	15,380,000	15,490,000

## 22. Share Capital (continued)

### Shares options (continued)

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting share issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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

## 23. Reconciliation of Loss Before Taxation to Net Cash Generated From/(Used In) Operating Activities

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(8,422)	(29,232)
Adjustment for:		
Depreciation of property, plant and equipment	2,496	3,618
(Surplus)/deficit on revaluation of investment properties	(1,230)	3,955
Loss on disposal of property, plant and equipment	1,551	4,897
Gain on disposal of investment properties	(218)	—
Interest income	(1)	(11)
Interest on bank loans and overdrafts	165	654
Interest on finance lease payables	46	85
Interest on other loans	364	280
Operating loss before working capital changes	(5,249)	(15,754)
Decrease in rental deposits	3,797	642
Decrease in inventories	6,637	22,805
(Increase)/decrease in prepayments, deposits and other receivables	(953)	2,260
Decrease in accounts receivables	721	655
Decrease in accounts payables	(118)	(3,377)
Decrease in accrued liabilities and other payables	(2,029)	(6,465)
Decrease in trust receipt loans with original maturity of over three months	—	(5,662)
Cash generated from/(used in) operations	2,806	(4,896)
Interest received	1	11
Interest on bank loans and overdrafts	(165)	(654)
Interest on finance lease payables	(46)	(85)
Interest on other loans	(364)	(280)
Tax refunded/(paid)	56	(594)
Net cash generated from/(used in) operating activities	2,288	(6,498)

## 24. 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 been operated since December 1, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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.

## 25. Operating Lease Commitments

At balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	24,215	32,350
In the second to fifth years, inclusive	18,235	25,523
	<u>42,450</u>	<u>57,873</u>

## 26. Contingent Liabilities

At balance sheet date, the Company had guarantees provided to banks and financial institution against facilities utilised by certain of its subsidiaries as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Banking facilities	—	7,500
Other loans	—	10,150
	<u>—</u>	<u>17,650</u>

At March 31, 2004 the Group had no significant contingent liabilities (2003: Nil).

## 27. Connected and Related Party Transactions

The Group had the following transactions with related party during the year:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Rental expenses paid to Boldsmore International Limited ("Boldsmore")	2,248	2,266

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

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

## 28. Principal Subsidiaries

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of paid-up issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Directly held:</i>				
Gay Giano Holdings Limited	British Virgin Islands	US\$1,000	100	Investment holding
<i>Indirectly held:</i>				
Belarus Limited	Hong Kong	HK\$3,000	100	Sourcing of materials and investment holding



## 28. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of paid-up issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (continued)</i>				
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	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	US\$1	100	Wholesale of fashion apparel and complementary accessories
Gay Giano Company Limited	Hong Kong	HK\$1,000,000	100	Retail of fashion apparel and complementary accessories
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.* ("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 May 3, 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.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.