Notes to the financial statements

March 31, 2005

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 27.

2. Impact of Recently Issued Accounting Standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standard and Hong Kong Accounting Standards which are effective for accounting periods beginning on or after January 1, 2005 (collectively the "New HKFRSs"). The Group has not early adopted the New HKFRSs in the financial statements for the year ended March 31, 2005.

The Group has already commenced an assessment of the impact of the New HKFRSs but is not yet in a position to state whether the New HKFRSs would have a significant impact on its results of operations and financial position.

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.

Investments in subsidiaries

Investments in subsidiaries are stated 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.

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. Capitalisation 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 assets and liabilities 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 accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

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 accounting standard, in which case the reversal of the impairment loss is treated as revaluation increase under that accounting standard.

Property, plant and equipment

Property, plant and equipment other than investment properties are stated at cost less accumulated depreciation and 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.

3. Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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	2% on straight-line basis
Buildings	2% to 2.5%, on straight-line basis
Leasehold improvements	20% 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

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; and

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

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		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	126,404	122,257	—	—	126,404	122,257
Other income	3,631	72	—	1,448	3,631	1,520
Total	130,035	122,329	—	1,448	130,035	123,777
Segment results	13,798	(7,492)	—	665	13,798	(6,827)
Interest income and unallocated income					1,895	1,060
Unallocated expenses					(1,246)	(2,080)
Profit/(loss) from operation					14,447	(7,847)
Finance costs					(265)	(575)
Profit/(loss) before taxation					14,182	(8,422)
Taxation					(235)	(70)
Net profit/(loss) for the year					13,947	(8,492)

5. Segment Information (continued)

(a) Business segments (continued)

	Fashion apparel		Property investment		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	48,018	47,807	—	4,006	48,018	51,813
Unallocated corporate assets					15,328	2,745
Total assets					63,346	54,558
Segment liabilities	12,350	16,414	—	20	12,350	16,434
Unallocated corporate liabilities					1,216	2,299
Total liabilities					13,566	18,733
Other segment information:						
Depreciation	2,063	2,473	—	18	2,063	2,491
Unallocated depreciation					15	5
					2,078	2,496
Capital expenditure	3,073	681	—	48	3,073	729
Unallocated capital expenditure					17	—
					3,090	729
Other non-cash items	1,797	3,585	—	399	1,797	3,984

(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	
	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue						
Sales to external customers	122,417	117,474	3,987	4,783	126,404	122,257
Segment results	14,915	(7,805)	(479)	(43)	14,436	(7,848)
Other segment information:						
Segment assets	52,405	43,076	10,941	11,482	63,346	54,558
Capital expenditure	3,077	532	13	197	3,090	729

6. Profit/(Loss) from Operation

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Profit/(loss) from operation has been arrived at after charging:		
Staff costs (excluding directors' remuneration, note 8)*		
Wages and salaries	32,987	32,435
Retirement benefits	1,833	2,818
	34,820	35,253
Cost of inventories sold	38,076	45,601
Provision for inventory obsolescence*	1,797	2,433
Depreciation of property, plant and equipment*		
Owned assets	1,962	2,383
Assets held under finance leases	116	113
Minimum lease payments under operating leases on land and buildings*	29,682	35,058
Auditors' remuneration	310	280
Loss on disposal of property, plant and equipment	—	1,551
Exchange losses, net	472	798
and after crediting:		
Surplus on revaluation of investment properties	1,270	1,230
Gain on disposal of investment properties	—	218
Gain on disposal of property, plant and equipment	3,601	—
Royalty fee income	616	1,059
Interest income	11	1

* Cost of inventories sold includes HK$7,860,000 (2004: HK$7,762,000) 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	
	2005	2004
	HK$'000	HK$'000
Interest expense on:		
Bank loans and overdrafts	128	165
Finance leases	29	46
Other loans not wholly repayable within five years	108	364
Total finance costs	265	575

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	
	2005	2004
	HK$'000	HK$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	151	116
	151	116
Other remuneration of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	1,923	1,759
Provident fund contributions	36	36
	1,959	1,795
	2,110	1,911

The remuneration of all the six (2004: six) directors of the Company during the year fell within the band of Nil-HK$1,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

During the year, no remuneration 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 (2004: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2004: two) highest paid, non-director employees are as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	1,992	965
Provident fund contributions	24	17
	2,016	982

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

	Number of employees	
	2005	2004
Nil — HK$1,000,000	1	2
HK$1,000,000 — HK$1,500,000	1	—
	2	2

During the year, no remuneration were paid by the Group to any of the two (2004: 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 2005 HK$'000	2004 HK$'000
The charge comprises:		
Provision for the year		
Hong Kong	187	36
Overseas	48	43
Over provision in the prior year	—	(9)
Deferred taxation — note 20	—	—
	235	70

Provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) 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% (2004: 15%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	THE GROUP 2005 HK$'000	2004 HK$'000
Profit/(loss) before tax	14,182	(8,422)
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	2,482	(1,474)
Net tax effect of income and expenses items which are not assessable or deductible for income tax purpose	(783)	114
Tax effect of utilisation of tax losses not previously recognised	(1,742)	(110)
Tax losses of the year not recognised	164	1,484
Tax effect of temporary differences not recognised	93	—
Over provision in the prior year	—	(9)
Effect of different tax rates of subsidiaries and associates operating in other jurisdictions	21	65
Tax charge for the year	235	70

11. Earnings/(Loss) Per Share

The calculation of basic earnings per share is based on the net profit for the year of HK$13,947,000 (2004: loss of HK$8,492,000) and the weighted average of 200,031,000 (2004: 200,030,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the profit for the year of HK$13,947,000 and the weighted average number of 200,652,000 ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 200,031,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 621,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

Diluted earnings per share for the year ended March 31, 2004 had not been presented as the potential ordinary shares outstanding during the year ended March 31, 2004 were anti-dilutive.

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
THE GROUP							
COST OR VALUATION:							
At April 1, 2004	3,880	8,160	12,823	3,362	14,324	3,890	46,439
Additions	–	–	1,484	–	924	682	3,090
Disposals	–	(8,160)	(2,347)	–	(796)	(960)	(12,263)
Surplus on revaluation	1,270	–	–	–	–	–	1,270
Transfer	(5,150)	5,150	–	–	–	–	–
At March 31, 2005	–	5,150	11,960	3,362	14,452	3,612	38,536
Analysis of cost or valuation:							
At cost	–	5,150	11,960	3,362	14,452	3,612	38,536
DEPRECIATION:							
At April 1, 2004	–	488	9,041	2,770	10,401	2,444	25,144
Charge for the year	–	139	725	107	776	331	2,078
Eliminated on disposals	–	(627)	(1,440)	–	(488)	(793)	(3,348)
At March 31, 2005	–	–	8,326	2,877	10,689	1,982	23,874
NET BOOK VALUE:							
At March 31, 2005	–	5,150	3,634	485	3,763	1,630	14,662
At March 31, 2004	3,880	7,672	3,782	592	3,923	1,446	21,295

Net book value of property, plant and equipment held under finance leases included in the total amount of motor vehicles at March 31, 2005 amounted to HK$476,000 (2004: HK$386,000).

At March 31, 2005, the Group's leasehold land and buildings, situated in Hong Kong, is held under medium term leases. At March 31, 2005, the leasehold land and buildings of the Group with net book value of HK$5,150,000 are pledged to secure other loans granted to the Group *(note 18)*.

At March 31, 2004, the Group's investment properties and leasehold land and buildings, situated in Hong Kong, were held under medium term leases. At March 31, 2004, the leasehold land and buildings and investment properties of the Group with net book value of HK$11,552,000 were pledged to secure banking facilities and other loans granted to the Group *(note 17 and note 18)*.

The investment properties of the Group, were revalued on March 31, 2005 by FPDSavills (Hong Kong) Limited, an independent firm of professional valuers, on an open market, existing use basis. After the valuation and at March 31, 2005, the investment properties were re-classified as leasehold land and buildings. This valuation gave rise to a revaluation surplus of HK$1,270,000 (2004: HK$1,230,000) which has been credited to income statement.

13. Interests in Subsidiaries

	THE COMPANY	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	32,251	32,251
Amounts due from subsidiaries	46,024	45,970
	78,275	78,221
Provision for impairment	(11,018)	(11,018)
	67,257	67,203

Particulars of the principal subsidiaries of the Company at March 31, 2005 are set out in note 27.

The amounts due from subsidiaries are unsecured, interest bearing at rates ranging from 5.5% to 5.75% per annum and have no fixed terms of repayments. The directors do not expect to call for repayment of the amount within twelve months of the balance sheet date.

14. Inventories

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Raw materials	3,912	5,895
Work in progress	1,860	1,319
Finished goods	13,500	10,092
	19,272	17,306

At the balance sheet date, carrying value of inventories stated at net realisable value amounted to HK$Nil (2004: 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	
	2005	2004
	HK$'000	HK$'000
0 — 30 days	517	1,100
31 — 60 days	232	305
Over 60 days	1,273	864
	2,022	2,269

Normal credit term granted by the Group to its customers ranges from 30 to 60 days of invoice date. The Group grants credit terms of over 60 days for certain high creditability customers.

16. Accounts Payables

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

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
0 — 30 days	883	2,286
31 — 60 days	263	632
Over 60 days	317	354
	1,463	3,272

17. Bank Loans (Secured)

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Secured bank loans repayable:		
Within one year	2,263	522
In the second year	—	540
In the third to fifth years, inclusive	—	1,739
After five years	—	1,266
	2,263	4,067
Less: Amount due within one year shown under current liabilities	(2,263)	(522)
	—	3,545

At March 31, 2005, bank loans of the Group were secured by pledged bank deposits of HK$3,500,000.

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

18. Other Loans (Secured)

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Secured other loans repayable:		
Within one year	2,082	369
In the second year	8	218
In the third to fifth years, inclusive	25	722
After five years	26	1,043
	2,141	2,352
Less: Amount due within one year shown under current liabilities	(2,082)	(369)
	59	1,983

At March 31, 2005, the other loans of the Group were secured by legal charges over the land and buildings, which were originally classified as investment properties at March 31, 2004, 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, 2005, the total future minimum lease payments under finance leases and their present values, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Within one year	135	192	123	165
In the second year	88	46	78	44
In the third to fifth years, inclusive	154	—	138	—
Total minimum finance lease payments	377	238	339	209
Less: Future finance charges	(38)	(29)		
Present value of lease obligations	339	209		
Less: Amount due within one year shown under current liabilities	(123)	(165)		
	216	44		

20. Deferred Taxation

The Group

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At April 1, 2003	1,157	(1,157)	—
(Credit)/charge to income for the year	(488)	488	—
Effect of change in tax rate charge/(credit) to income for the year	108	(108)	—
At March 31, 2004	777	(777)	—
(Credit)/charge to income for the year	(93)	93	—
At March 31, 2005	684	(684)	—

For the purpose of balance sheet presentation, deferred tax assets and liabilities have been offset in accordance with the condition set out in SSAP12 (Revised) "Income Taxes".

At the balance sheet date, the Group has unused tax losses of HK$37,475,000 (2004: HK$46,493,000) available to set off future profits. A deferred tax asset has been recognised in respect of the HK$3,908,000 (2004: HK$4,440,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$33,567,000 (2004: HK$42,053,000) due to the unpredictability of future profits streams. All the losses can be carried forward indefinitely subject to the approval of tax authorities in respective jurisdictions.

20. Deferred Taxation (continued)

The Company

At the balance sheet date, the Company has unused tax losses of HK$1,101,000 (2004: HK$1,460,000). No deferred tax assets has been recognised in relation to such unused tax losses due to the unpredictability of future profits streams.

21. Share Capital

Shares

	2005 HK$'000	2004 HK$'000
Authorised:1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:200,060,000 (2004: 200,030,000) ordinary shares of HK$0.10 each	**20,006**	20,003

During the year, 30,000 shares of HK$0.10 each were issued upon the exercise of share options granted to certain employees and directors and the proceeds of HK$8,000 were used as general working capital.

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 capitalisation 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.

21. Share Capital (continued)

Share options (continued)

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

(a) Movements in share options

	2005 Number	2004 Number
At beginning of the year	15,380,000	15,490,000
Exercised	(30,000)	—
Cancelled	(30,000)	(110,000)
At end of the year	15,320,000	15,380,000

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

Date granted	Exercise Period	Exercise price	2005 Number	2004 Number
February 5, 2001	February 5, 2001 to February 4, 2011	HK$0.2528	15,320,000	15,380,000

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 shares 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.

After the balance sheet date and as at the date of this report, 70,000 shares of HK$0.10 each were issued upon the exercise of share option granted to certain employees and directors. Except for this, all of the aforementioned share options remained outstanding.

No option has been granted under the New Scheme since its adoption on September 10, 2002.

22. 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.

23. Major Non-Cash Transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of leases of HK$315,000 (2004: HK$96,000).

24. 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	
	2005 HK$'000	2004 HK$'000
Within one year	26,143	24,215
In the second to fifth years, inclusive	30,274	18,235
	56,417	42,450

25. Contingent Liabilities

At March 31, 2005 the Group had no significant contingent liabilities (2004: Nil).

At March 31, 2005, the Company had guarantee provided to a bank against facilities utilised by a subsidiary as follow:

	THE COMPANY	
	2005	2004
	HK$'000	HK$'000
Bank loans	2,263	—

26. Connected and Related Party Transactions

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

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Rental expenses paid to Boldsmore International Limited ("Boldsmore")	2,184	2,248

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.

27. Principal Subsidiaries

Particulars of the Company's subsidiaries at March 31, 2005 are as follows:

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 2005 and 2004	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	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

27. 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 2005 and 2004	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 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
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.

28. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.