

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited. During the year, the Group was involved in investment holding and the retailing and distribution of garments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting rights or issued share capital or controls the composition of its board of directors.

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

Associates

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

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

Goodwill/capital reserve arising on consolidation

Goodwill arising on the consolidation of subsidiaries/businesses represents the excess purchase consideration paid for subsidiaries/businesses over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. Where the fair values ascribed to the net underlying assets acquired exceed the purchase consideration paid, the excess is credited to the capital reserve in the year of acquisition.

On disposal of subsidiaries/businesses, the relevant portion of attributable goodwill or of the capital reserve previously eliminated against reserves or credited to the capital reserve, respectively, is realised and accounted for in arriving at the gain or loss on disposal.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the 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 an asset, the expenditure is capitalised as an additional cost of that asset.

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

Buildings	4%
Leasehold improvements	15% to 33% or over the lease terms, whichever is shorter
Plant and machinery	9% to 25%
Furniture, fixtures and office equipment	15% to 33% or over the lease terms, whichever is shorter
Motor vehicles	15% to 33%

Leasehold land is amortised over the lease terms or 2% per annum, whichever is shorter.

The revaluation reserve arising from the revaluation of fixed assets is realised and transferred directly to retained earnings on a systematic basis, as the corresponding asset is used by the Group. The amount realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

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. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Intangible assets

Intangible assets represent trademarks and are capitalised and amortised over a period of three years.

Operating leases

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent that 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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) 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) rendering of services, in the period in which the services are rendered;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (d) rental income, on a time proportion basis over the lease terms; and
- (e) royalties, on a time proportion basis in accordance with the substance of the relevant agreements.

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.

Retirement benefits scheme

The Group operates two retirement benefits schemes in Hong Kong, namely a Mandatory Provident Fund Scheme and a defined contribution retirement benefits scheme as defined in the Occupational Retirement Schemes Ordinance (the "ORSO Scheme").

Under the Mandatory Provident Fund Scheme, contributions of 5% of the employees' monthly salaries are made by each of the employer and the employee. The employers' contributions are charged to the profit and loss account as they become payable.

Under the ORSO Scheme, contributions of 5% of the employees' monthly basic salaries are made by the employer and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The rates of contributions made by the employees are either 0% or 5% of the salary of each employee at the discretion of the employee. When an employee leaves the ORSO Scheme prior to his/her interest in the Group employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme *(continued)*

In the People's Republic of China, the employees of the Company's subsidiaries participate in a state-administered employee social insurance scheme and they are entitled to receive a monthly retirement fund after their retirement.

The Company's subsidiary in Singapore participates in the Central Provident Fund scheme established by the Central Provident Fund Board.

In Taiwan, the Group participates in a central defined benefit pension scheme (the "Scheme") providing benefits to all employees in accordance with the Labour Standards Law. Under the Scheme, contributions of 2% of the employees' total salaries as determined and approved by the relevant government authorities are payable by the employer.

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.

3. TURNOVER AND REVENUE

Turnover represents the aggregate of the net invoiced value of goods sold, after allowance for returns and trade discounts, and the rendering of services, but excludes intra-group transactions.

An analysis of turnover and revenue is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover:		
Retailing and distribution of garments	1,552,118	1,258,137
Rendering of garment-related services	2,449	6,468
	1,554,567	1,264,605
Other revenue:		
Interest income	3,500	5,509
Royalty income	345	772
Rental income	549	448
Others	1,948	1,565
	6,342	8,294
Total revenue for the year	1,560,909	1,272,899

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4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost of sales:		
Cost of inventories sold	856,410	718,429
Stock provision	30,601	31,631
	887,011	750,060
Staff costs (including directors' remuneration – note 5):		
Wages and salaries	170,401	107,984
Pension scheme contributions	5,588	3,604
Less: Forfeited contributions	(1,360)	(1,738)
Net pension contributions	4,228	1,866
	174,629	109,850
Amortisation of deferred pre-operating expenses	–	242
Amortisation of intangible assets	4,291	4,291
Depreciation	51,491	31,492
Operating lease rentals:		
Land and buildings	233,575	173,119
Plant and machinery	90	83
Auditors' remuneration	1,232	923
Compensation paid on legal cases	3,000	–
Loss/(gain) on disposal of fixed assets, net	1,468	(232)
Foreign exchange losses/(gains), net	5,909	(1,298)
Gross and net rental income	(549)	(448)
Interest income	(3,500)	(5,509)
Royalty income	(345)	(772)

As at 31 March 2001, forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years amounted to HK\$464,000 (2000: HK\$938,000).

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5. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Executive:		
Fees as directors	–	–
Salaries, allowances and benefits in kind	3,244	3,204
	3,244	3,204
Independent non-executive:		
Fees as directors	192	192
	3,436	3,396

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	6	6
HK\$2,000,001 – HK\$2,500,000	1	1
	7	7

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2000: two) director(s), details of whose remuneration are set out above. The details of the remuneration of the remaining four (2000: three) non-director, highest paid employees are set out below:

	HK\$'000
Salaries, allowances and benefits in kind	3,351

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6. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	–
	<u>4</u>	<u>3</u>

7. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<u>2,827</u>	<u>2,044</u>

8. TAXATION

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong	1,267	8,336
Elsewhere	<u>4,315</u>	<u>5,622</u>
	5,582	13,958
Deferred taxation (note 19)	<u>596</u>	<u>–</u>
Taxation charge for the year	<u>6,178</u>	<u>13,958</u>

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9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$21,068,000 (2000: HK\$51,951,000).

10. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim – Nil (2000: 4.5 cents) per share	–	12,343
Proposed final – Nil (2000: 7 cents) per share	–	19,201
	<u>–</u>	<u>31,544</u>

11. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated based on the net profit attributable to shareholders for the year of HK\$16,655,000 (2000: HK\$79,237,000) and on 274,297,493 (2000: 274,297,493) shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2001 and 2000 has not been calculated as no diluting events existed during these years.

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12. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
At beginning of year	82,154	146,216	5,523	57,718	3,970	295,581
Additions	–	65,505	244	18,388	2,070	86,207
Disposals	–	(22,191)	(113)	(379)	(434)	(23,117)
Exchange adjustments	–	(1,057)	14	(421)	(61)	(1,525)
At 31 March 2001	82,154	188,473	5,668	75,306	5,545	357,146
Representing:						
At cost	42,154	188,473	5,668	75,306	5,545	317,146
At valuation	40,000	–	–	–	–	40,000
	82,154	188,473	5,668	75,306	5,545	357,146
Accumulated depreciation:						
At beginning of year	9,439	103,432	2,238	45,872	2,724	163,705
Provided during the year	2,244	39,952	442	8,220	633	51,491
Disposals	–	(20,737)	(74)	(343)	(183)	(21,337)
Exchange adjustments	–	(225)	8	(154)	(13)	(384)
At 31 March 2001	11,683	122,422	2,614	53,595	3,161	193,475
Net book value:						
At 31 March 2001	70,471	66,051	3,054	21,711	2,384	163,671
At 31 March 2000	72,715	42,784	3,285	11,846	1,246	131,876

The land and buildings included above are held under medium term leases and are situated in:

	At cost HK\$'000	At valuation HK\$'000	Total HK\$'000
Hong Kong	21,654	40,000	61,654
Elsewhere	20,500	–	20,500
	42,154	40,000	82,154

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12. FIXED ASSETS *(continued)*

Certain leasehold land and buildings were valued on 31 July 1993 by Chesterton Petty Limited, independent professional valuers, on an open market, existing use basis.

At 31 March 2001, had the Group's revalued land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$18,675,000 (2000: HK\$19,357,000).

The Group has adopted the transitional provisions of SSAP No. 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants in 1995, of not making further regular revaluations of its leasehold land and buildings which had previously been revalued.

13. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	193,962	193,962
Due from subsidiaries	58,242	38,970
Due to a subsidiary	(116)	—
	<u>252,088</u>	<u>232,932</u>

The balances with subsidiaries are unsecured, interest-free 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 issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Active Link Limited (i)	Hong Kong	HK\$5,000,000	—	100	Garment retailing and wholesaling
Bossini Advertising Agency Limited	Hong Kong	HK\$2	—	100	Advertising and promotion
Bossini Enterprises Limited	Hong Kong	HK\$2	—	100	Retailing and distribution of garments

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13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bossini Garment Limited	Hong Kong	HK\$2	–	100	Distribution of garment
Bossini Investment Limited	British Virgin Islands	US\$11,928	100	–	Investment holding
Burling Limited	British Virgin Islands	US\$100	–	100	Licensing of trademarks
Guangzhou Bossini Enterprises Company Limited (ii)	People's Republic of China	RMB1,010,000	–	100	Retailing and distribution of garment
J & R Bossini Fashion Pte. Limited	Singapore	S\$2,000,000	–	100	Garment retailing and wholesaling
J & R Bossini Holdings Limited	Hong Kong	HK\$2	–	100	Investment holding
Kacono Trading Limited	British Virgin Islands	HK\$2,000	–	100	Investment holding
Key Value Trading Limited (i)	British Virgin Islands	US\$100	–	100	Investment holding
Land Challenger Limited	Hong Kong	HK\$2	–	100	Garment sub-contracting
Langzhi Fashion (Shenzhen) Company Limited (ii)	People's Republic of China	HK\$6,600,000	–	100	Garment sub-contracting
Lead Commence Limited	Hong Kong	HK\$2	–	100	Garment retailing and wholesaling
Onmay International Limited	Hong Kong	HK\$2	–	100	Garment retailing and wholesaling

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13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rapid City Limited	Hong Kong	HK\$2	–	100	Property holding and letting
Sun View Properties Limited	Hong Kong	HK\$2	–	100	Property holding and letting

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.

- (i) These subsidiaries were acquired during the year.
- (ii) These subsidiaries were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

14. INTANGIBLE ASSETS

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	8,582	7,273
Additions	–	5,600
Amortisation during the year	(4,291)	(4,291)
Balance at end of year	<u>4,291</u>	<u>8,582</u>

15. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	4,422	1,755
Finished goods	166,848	163,546
	<u>171,270</u>	<u>165,301</u>

The carrying amount of inventories carried at net realisable value included in the above is HK\$3,232,000 (2000: Nil).

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16. DEBTORS

Other than cash and credit card sales, the Group normally allows an average credit period of 60 days to its trade customers.

The aged analysis of trade debtors is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0-30 days	4,032	2,866
31-60 days	6,401	55
61-90 days	281	2,155
Over 90 days	1,359	896
Total	<u>12,073</u>	<u>5,972</u>

17. CREDITORS AND ACCRUALS

Included in creditors and accruals is a trade creditors balance of HK\$51,827,000 (2000: HK\$43,185,000).

The aged analysis of trade creditors is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0-30 days	44,261	37,588
31-60 days	6,305	3,124
61-90 days	4	1,705
Over 90 days	1,257	768
Total	<u>51,827</u>	<u>43,185</u>

18. BANK LOANS AND OVERDRAFTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	201	5,270
Trust receipt loans	2,872	—
Bank loans	73,259	34,781
	<u>76,332</u>	<u>40,051</u>

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18. BANK LOANS AND OVERDRAFTS *(continued)*

The maturity of the above amounts is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Amounts repayable:		
On demand or within one year	31,332	40,051
In the second year	10,000	–
In the third to fifth years, inclusive	35,000	–
	76,332	40,051
Portion classified as current liabilities	(31,332)	(40,051)
	45,000	–
Non-current portion	45,000	–

19. DEFERRED TAXATION

	Group	
	2001	2000
	HK\$'000	HK\$'000
Charge for the year (note 8) and balance at end of year	596	–

The provision for deferred tax is in respect of accelerated capital allowances to the extent that the liability is expected to crystallise in the foreseeable future.

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

20. SHARE CAPITAL

	Company	
	2001	2000
	HK\$'000	HK\$'000
Authorised:		
500,000,000 ordinary shares of HK\$0.10 each	50,000	50,000
Issued and fully paid:		
274,297,493 ordinary shares of HK\$0.10 each	27,430	27,430

NOTES TO THE FINANCIAL STATEMENTS

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21. RESERVES

	Capital reserve HK\$'000	Contributed surplus HK\$'000	Revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group						
At 1 April 1999	5,324	99,175	14,723	7,221	128,672	255,115
Realisation on depreciation during the year	–	–	(404)	–	404	–
Exchange realignment of foreign subsidiaries	–	–	–	253	–	253
Arising on acquisition of subsidiaries	5	–	–	–	–	5
Release on disposal of a subsidiary	144	–	–	–	–	144
Net profit for the year attributable to shareholders	–	–	–	–	79,237	79,237
Dividends	–	–	–	–	(31,544)	(31,544)
At 31 March 2000 and 1 April 2000	5,473	99,175	14,319	7,474	176,769	303,210
Realisation on depreciation during the year	–	–	(404)	–	404	–
Exchange realignment of foreign subsidiaries	–	–	–	807	–	807
Goodwill arising on acquisition of subsidiaries/businesses	(2,434)	–	–	–	(20,982)	(23,416)
Goodwill arising on acquisition of additional interest in a subsidiary	(2,299)	–	–	–	–	(2,299)
Net profit for the year attributable to shareholders	–	–	–	–	16,655	16,655
At 31 March 2001	740	99,175	13,915	8,281	172,846	294,957

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1993.

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21. RESERVES (continued)

	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company			
At 1 April 1999	166,533	27,193	193,726
Net profit for the year	–	51,951	51,951
Dividends	–	(31,544)	(31,544)
At 31 March 2000 and 1 April 2000	166,533	47,600	214,133
Net profit for the year	–	21,068	21,068
At 31 March 2001	166,533	68,668	235,201

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the aggregate net asset value of the subsidiaries acquired at the date of acquisition, at the time of the Group reorganisation prior to the listing of the Company's shares in 1993. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	25,804	95,339
Interest income	(3,500)	(5,509)
Loss/(gain) on disposal of fixed assets	1,468	(232)
Depreciation	51,491	31,492
Amortisation of deferred pre-operating expenses	–	242
Amortisation of intangible assets	4,291	4,291
Gain on disposal of a subsidiary	–	(10)
Decrease/(increase) in inventories	4,975	(16,198)
Decrease/(increase) in debtors	(1,555)	6,740
Increase in bills receivable	(2,554)	(8,815)
Increase in deposits paid	(18,793)	(15,098)
Decrease/(increase) in prepayments and other receivables	29,446	(13,654)
Decrease in creditors and accruals	(3,726)	(8,714)
Increase in bills payable	7,566	14,539
Decrease in amount due to a related company	–	(207)
Decrease in amount due to an associate	–	(7,981)
Net cash inflow from operating activities	94,913	76,225

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22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Bank and trust receipt loans HK\$'000	Minority interests HK\$'000
Balance at 1 April 1999	20,877	103
Net cash inflow from financing activities	15,515	–
Share of loss for the year	–	(41)
Decrease in short term bank and trust receipt loans classified as cash equivalents	(1,649)	–
Arising on disposal of a subsidiary	–	(62)
Exchange adjustments	38	–
Balance at 31 March 2000 and 1 April 2000	34,781	–
Net cash inflow from financing activities	38,406	–
Share of profit for the year	–	144
Increase in short term bank and trust receipt loans classified as cash equivalents	2,872	–
Arising on purchase of additional interest in a subsidiary	–	(144)
Exchange adjustments	72	–
Balance at 31 March 2001	76,131	–

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22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries/businesses

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	17,266	23,075
Inventories	12,417	2,003
Debtors	4,543	3,389
Prepayments and other receivables	4,521	169
Cash and bank balances	1,172	4,033
Creditors and accruals	(13,967)	(30,461)
Tax payable	(66)	(28)
	25,886	2,180
Goodwill/(capital reserve) on acquisition	23,416	(5)
	49,302	2,175
Satisfied by:		
Cash	49,302	2,175

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

	2001 HK\$'000	2000 HK\$'000
Cash consideration	(49,302)	(2,175)
Cash and bank balances acquired	1,172	4,033
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries/businesses	(48,130)	1,858

The subsidiaries/businesses acquired during the year contributed approximately HK\$20,713,000 to the Group's net operating cash inflow, received approximately HK\$122,000 in respect of returns on investments and servicing of finance, paid approximately HK\$376,000 and HK\$20,789,000 in respect of taxation and investing activities, respectively, and contributed HK\$5,045,000 in respect of financing activities.

The subsidiaries/businesses acquired during the year contributed HK\$223,236,000 to turnover and HK\$12,423,000 to the consolidated profit after taxation and before minority interests for the year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed:		
Fixed assets	-	2,895
Debtors	-	720
Prepayments and other receivables	-	539
Cash and bank balances	-	719
Creditors and accruals	-	(4,275)
Tax payable	-	(124)
Minority interests	-	(62)
	-	412
Gain on disposal of a subsidiary	-	10
	-	422
Satisfied by:		
Cash received	-	422

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	-	422
Cash and bank balances disposed of	-	(719)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	-	(297)

The subsidiary disposed of during the previous year contributed approximately HK\$275,000 to the Group's net operating cash outflow, and utilised approximately HK\$277,000 for investing activities, but had no significant impact in respect of returns on investments and servicing of finance, taxation and the financing activities.

The subsidiary disposed of during the previous year contributed HK\$11,701,000 to turnover and incurred a loss after taxation of HK\$473,000 for that year.

NOTES TO THE FINANCIAL STATEMENTS

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23. COMMITMENTS

At the balance sheet date, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	40,478	23,338
In the second to fifth years, inclusive	221,791	143,388
After five years	5,503	2,451
	267,772	169,177
Plant and machinery expiring:		
Within one year	8	–
In the second to fifth years, inclusive	–	25
	8	25
	267,780	169,202

The operating lease rentals of certain retail outlets are based solely on the sales of those outlets. In the opinion of the directors, as the future sales of those retail outlets cannot be accurately estimated, the relevant rental commitments have not been included above.

The Company did not have any significant commitments at the balance sheet date.

24. CONTINGENT LIABILITIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	4,405	3,132

The Company has given guarantees in favour of banks to the extent of HK\$327,851,000 (2000: HK\$233,548,000) in respect of banking facilities granted to certain subsidiaries. These were utilised to the extent of HK\$80,737,000 as at 31 March 2001 (2000: HK\$43,183,000).

25. LITIGATION

- (a) A High Court action, which commenced on 10 June 1998, was brought against J & R Bossini Trading Limited ("Bossini Trading"), a subsidiary of the Company, by Weiland Development Company Limited, for breach of lease (the "Lease") of a property used by Bossini Trading as a warehouse. Bossini Trading is defending the action and has counter-claimed against the plaintiff for a declaration that the Lease was lawfully terminated. As at the date of this report, the directors believe that it is not practicable to estimate the possible extent of the liability of Bossini Trading, if any, in respect of this action. However, the directors are of the opinion that the claim of the plaintiff is unlikely to succeed on the merits of the case and, therefore, no material liability is likely to result therefrom.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

25. LITIGATION (*continued*)

- (b) Two High Court actions (the "Actions"), which commenced on 24 July 1998, were brought against Bossini Trading by Sano Screen Manufacturing Limited and Tri-Star Fabric Printing Works Limited (collectively called the "Plaintiffs"), for breach of leases of the properties used by Bossini Trading as warehouses. The Actions were tried on 14 June 2000 at which Bossini Trading was unrepresented. To the best of the knowledge and information of the directors, judgements in respect of the Actions were already awarded in favour of the Plaintiffs against Bossini Trading on 16 June 2000 for an amount not exceeding HK\$2,467,463, together with interest thereon from the date of the said judgements to the date of payment at the judgement rate and costs of the Actions. If Bossini Trading fails to satisfy the said judgement, it is possible that a winding-up petition may be issued against Bossini Trading. However, as the Company and its subsidiaries have not provided any guarantees or sureties in respect of the liabilities of Bossini Trading, the directors consider that in the event the Plaintiffs choose to wind up Bossini Trading, this will have no significant adverse impact on the financial position of the Company and the Group.

26. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Rental paid for warehouse premises	(i)	1,240	1,240
Rental paid for office premises	(ii)	4,212	3,645
Rental paid for a retail outlet	(iii)	1,293	1,296

Notes:

- (i) The rental was paid to Laws Fashion Knitters Limited ("Laws Fashion"). Mr. Shuk Hoi LAW, Mr. Kar Po LAW and Mr. Ka Sing LAW, directors of the Company during the year, have beneficial equity interests in Laws Fashion. Mr. Shuk Hoi LAW is also a director of Laws Fashion. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (ii) The rental was paid to First On International Limited ("First On"). Mr. Shuk Hoi LAW, Mr. Kar Po LAW and Mr. Ka Sing LAW, directors of the Company during the year, have beneficial equity interests in First On. Mr. Shuk Hoi LAW is also a director of First On. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (iii) The rental was paid to Yatin Development Limited ("Yatin"). Mr. Shuk Hoi LAW, Mr. Kar Po LAW and Mr. Ka Sing LAW, directors of the Company during the year, are also directors of, and have beneficial equity interests in, Yatin. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

27. COMPARATIVE AMOUNTS

Deposits paid on tenancies not expiring within the next twelve months of HK\$34,879,000 were classified under current assets in the previous year. To accord with the presentation adopted in the current year which, in the opinion of the directors, better reflects the underlying nature and terms of the transactions, they have been reclassified under non-current assets.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 5 July 2001.