

## 1. CORPORATE INFORMATION

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

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

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

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

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The adoption of this revised SSAP has had no impact on the financial statements as there was no final dividend proposed for the current and previous years.

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under the SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 25 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of this revised SSAP has had no effect on the financial statements as there was no proposed final dividend from subsidiaries for the current and previous years.

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

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of the SSAP has had no significant effect on the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has had no significant effect on the financial statements.

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) *(continued)*

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 23 to the financial statements. The required new additional disclosures are included in note 23 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 10: “Accounting for investments in associates”
- SSAP 17: “Property, plant and equipment”
- SSAP 21: “Accounting for interests in joint ventures”

The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets are aggregated with accumulated depreciation in note 13 to the financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. 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 its financial and operating policies so as to obtain benefits from its activities.

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

#### **Goodwill**

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Negative goodwill**

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

#### **Impairment of assets**

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Impairment of assets** *(continued)*

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

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

**Fixed assets and depreciation**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Intangible assets**

Intangible assets represent trademarks and are stated at cost and amortised on the straight-line basis 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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under such operating leases are charged 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.

**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.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Revenue recognition**

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, in the period in which 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 schemes**

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' relevant income are made by each of the employer and the employees. The employer contributions are charged to the profit and loss account as they become payable.

Under the ORSO Scheme, contributions of 5% of the employees' 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.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Retirement benefits schemes** *(continued)*

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

The Company's subsidiary in Singapore participates in a Central Provident Fund Scheme which is a contribution plan established by the Central Provident Fund Board.

In Taiwan, as required by the Labour Standards Law, one of the Company's subsidiaries makes regular contributions to a Retirement Fund to meet employees' retirement and termination benefits. Currently, the contribution has been approved to be made at 2% of the employees' total salaries. The fund is administered by a committee and is deposited in the committee's name with a government approved financial institution, which acts as the trustee.

#### **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. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

### 4. SEGMENT INFORMATION

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

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

Since over 90% of the Group's revenue, results, assets and liabilities are derived from retailing and distribution of garments, no separate analysis of financial information by business segment is presented in the financial statements.

#### 4. SEGMENT INFORMATION (continued)

##### Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments.

##### Group

	Hong Kong		Elsewhere in the PRC		Taiwan		Singapore		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	851,120	1,007,795	267,346	200,371	298,205	160,731	171,802	185,670	1,588,473	1,554,567
Other revenue	1,044	1,821	280	787	119	41	137	193	1,580	2,842
Total revenue	852,164	1,009,616	267,626	201,158	298,324	160,772	171,939	185,863	1,590,053	1,557,409
Segment results	(34,392)	3,501	12,850	12,289	(19,984)	1,437	10,241	5,077	(31,285)	22,304
Interest income									1,393	3,500
Profit/(loss) from operating activities									(29,892)	25,804
Finance costs									(5,333)	(2,827)
Profit/(loss) before taxation									(35,225)	22,977
Taxation									(3,544)	(6,178)
Profit/(loss) before minority interests									(38,769)	16,799
Minority interests									-	(144)
Net profit/(loss) from ordinary activities attributable to shareholders									(38,769)	16,655
Segment assets	342,152	359,298	126,816	68,735	52,709	53,230	37,632	44,194	559,309	525,457
Unallocated assets									6,213	603
Total assets									565,522	526,060
Segment liabilities	60,854	91,904	37,036	14,044	10,958	11,510	8,802	9,287	117,650	126,745
Unallocated liabilities									115,684	76,928
Total liabilities									233,334	203,673
Other segment information:										
Capital expenditure	17,651	36,045	17,983	15,181	14,721	26,836	5,690	8,145	56,045	86,207
Depreciation	33,862	34,669	8,200	9,615	9,068	3,655	5,051	3,552	56,181	51,491
Amortisation of intangible assets	4,291	4,291	-	-	-	-	-	-	4,291	4,291
Impairment of leasehold land and buildings	13,408	-	-	-	-	-	-	-	13,408	-
Stock provision	16,450	25,035	5,009	(1,367)	10,176	1,717	6,788	5,216	38,423	30,601

**5. TURNOVER AND REVENUE**

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

An analysis of turnover and revenue is as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Turnover:		
Retailing and distribution of garments	<b>1,588,473</b>	1,552,118
Rendering of garment-related services	<b>–</b>	2,449
	<b>1,588,473</b>	1,554,567
Other revenue:		
Interest income	<b>1,393</b>	3,500
Royalty income	<b>–</b>	345
Rental income	<b>509</b>	549
Others	<b>1,071</b>	1,948
	<b>2,973</b>	6,342
Total revenue for the year	<b>1,591,446</b>	1,560,909

**6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

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

	<b>2002</b>	<b>Group</b> 2001
	<b>HK\$'000</b>	HK\$'000
Cost of sales:		
Cost of inventories sold	<b>858,463</b>	856,410
Stock provision	<b>38,423</b>	30,601
	<b>896,886</b>	887,011
Staff costs (including directors' remuneration – Note 7):		
Wages and salaries	<b>200,588</b>	170,401
Pension scheme contributions	<b>8,601</b>	5,588
Less: Forfeited contributions	<b>–</b>	(1,360)
Net pension contributions	<b>8,601</b>	4,228
	<b>209,189</b>	174,629
Amortisation of intangible assets	<b>4,291</b>	4,291
Depreciation	<b>56,181</b>	51,491
Minimum lease payments under operating leases:		
Land and buildings	<b>261,956</b>	233,575
Plant and machinery	<b>19</b>	90
Auditors' remuneration	<b>1,333</b>	1,232
Compensation paid on legal cases	<b>–</b>	3,000
Loss on disposal of fixed assets	<b>3,194</b>	1,468
Foreign exchange losses, net	<b>9,369</b>	5,909
Impairment of leasehold land and buildings	<b>13,408</b>	–
Gross and net rental income	<b>(509)</b>	(549)
Interest income	<b>(1,393)</b>	(3,500)
Royalty income	<b>–</b>	(345)

The above impairment of leasehold land and buildings of HK\$13,408,000 is included in "Other operating expenses" on the face of the consolidated profit and loss account.

As at 31 March 2002, forfeited contributions available to the Group to reduce its contributions to the ORSO Scheme in future years amounted to HK\$962,000 (2001: HK\$464,000).

**7. DIRECTORS' REMUNERATION**

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

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Executive directors:		
Fees	–	–
Salaries, allowances and benefits in kind	<u>5,398</u>	<u>3,244</u>
	<b>5,398</b>	3,244
Independent non-executive directors:		
Fees	<u>192</u>	<u>192</u>
	<b>5,590</b>	<u>3,436</u>

The number of directors whose remuneration fell within the following bands is as follows:

	<b>Number of directors</b>	
	<b>2002</b>	2001
Nil – HK\$1,000,000	<b>6</b>	6
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	<u>1</u>	<u>–</u>
	<b>7</b>	<u>7</u>

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

**8. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included one (2001: one) director, details of whose remuneration are set out above. The details of the remuneration of the remaining four (2001: four) non-director, highest paid employees are set out below:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>5,163</b>	3,351

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

	<b>Group</b>	
	<b>Number of employees</b>	
	<b>2002</b>	2001
Nil – HK\$1,000,000	–	3
HK\$1,000,001 – HK\$1,500,000	<b>3</b>	1
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	–
	<b>4</b>	4

**9. FINANCE COSTS**

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<b>5,333</b>	2,827

**10. TAXATION**

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

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Group:		
Hong Kong	<b>307</b>	1,267
Elsewhere	<b>5,242</b>	4,315
Overprovision in prior years	<b>(2,085)</b>	–
	<b>3,464</b>	5,582
Deferred taxation – <i>Note 21</i>	<b>80</b>	596
Taxation charge for the year	<b>3,544</b>	6,178

**11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS**

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$69,000 (2001: net profit of HK\$21,068,000).

**12. BASIC EARNINGS/(LOSS) PER SHARE**

Basic earnings/(loss) per share is calculated based on the net loss attributable to shareholders for the year of HK\$38,769,000 (2001: net profit of HK\$16,655,000) and on the weighted average of 295,921,468 (2001: 291,660,524) shares in issue during the year, adjusted to reflect the rights issue during the year.

Diluted earnings/(loss) per share for the years ended 31 March 2002 and 2001 have not been calculated as no diluting events existed during these years.



**13. FIXED ASSETS****Group**

	<b>Leasehold land and buildings HK\$'000</b>	<b>Leasehold improve- ments HK\$'000</b>	<b>Plant and machinery HK\$'000</b>	<b>Furniture, fixtures and office equipment HK\$'000</b>	<b>Motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
Cost or valuation:						
At beginning of year	82,154	188,473	5,668	75,306	5,545	357,146
Additions	–	38,013	62	17,746	224	56,045
Disposals	–	(15,023)	(51)	(2,075)	(388)	(17,537)
Exchange adjustments	–	(1,898)	1	(536)	(67)	(2,500)
<b>At 31 March 2002</b>	<b>82,154</b>	<b>209,565</b>	<b>5,680</b>	<b>90,441</b>	<b>5,314</b>	<b>393,154</b>
Representing:						
At cost	42,154	209,565	5,680	90,441	5,314	353,154
At valuation	40,000	–	–	–	–	40,000
	82,154	209,565	5,680	90,441	5,314	393,154
Accumulated depreciation and impairment:						
At beginning of year	11,683	122,422	2,614	53,595	3,161	193,475
Depreciation provided during the year	2,244	42,055	425	10,774	683	56,181
Impairment during the year	26,919	–	–	–	–	26,919
Disposals	–	(12,495)	(35)	(1,500)	(212)	(14,242)
Exchange adjustments	–	(508)	2	(178)	(26)	(710)
<b>At 31 March 2002</b>	<b>40,846</b>	<b>151,474</b>	<b>3,006</b>	<b>62,691</b>	<b>3,606</b>	<b>261,623</b>
Net book value:						
<b>At 31 March 2002</b>	<b>41,308</b>	<b>58,091</b>	<b>2,674</b>	<b>27,750</b>	<b>1,708</b>	<b>131,531</b>
At 31 March 2001	70,471	66,051	3,054	21,711	2,384	163,671

**13. FIXED ASSETS** *(continued)*

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

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

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 2002, had the Group's revalued land and buildings been carried at cost less accumulated depreciation and impairment loss, they would have been included in the financial statements at approximately HK\$15,000,000 (2001: HK\$18,675,000).

The Group has adopted the transitional provisions of SSAP 17 "Property, plant and equipment" of not making further regular revaluations of its leasehold land and buildings which had previously been revalued.

**14. INTERESTS IN SUBSIDIARIES**

	<b>Company 2002 HK\$'000</b>	<b>2001 HK\$'000</b>
Unlisted shares, at cost	<b>193,962</b>	193,962
Due from subsidiaries	<b>120,727</b>	58,242
Due to a subsidiary	<u>–</u>	<u>(116)</u>
	<u><b>314,689</b></u>	<u>252,088</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

**14. INTERESTS IN SUBSIDIARIES** *(continued)*

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>Note (a)</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
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 – <i>Note (a)</i>	People's Republic of China	RMB1,010,000	–	100	Retailing and distribution of garments
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

**14. 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	
Key Value Trading Limited	British Virgin Islands	US\$100	–	100	Investment holding
Land Challenger Limited	Hong Kong	HK\$2	–	100	Garment sub-contracting
Langzhi Fashion (Shenzhen) Company Limited – <i>Note (a)</i>	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
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.

*Note:*

- (a) These subsidiaries were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

**15. INTANGIBLE ASSETS**

	<b>2002</b>	<b>Group</b>
	<b>HK\$'000</b>	2001 HK\$'000
Balance at beginning of year	<b>4,291</b>	8,582
Amortisation during the year	<b>(4,291)</b>	(4,291)
	<hr/>	<hr/>
Balance at end of year	<b>–</b>	4,291
	<hr/>	<hr/>

**16. INVENTORIES**

	<b>2002</b>	<b>Group</b>
	<b>HK\$'000</b>	2001 HK\$'000
Raw materials	<b>3,046</b>	4,422
Finished goods	<b>121,531</b>	166,848
	<hr/>	<hr/>
	<b>124,577</b>	171,270
	<hr/>	<hr/>

At the balance sheet date, no inventories were carried at net realisable value (2001: HK\$3,232,000).

**17. DEBTORS**

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

An aged analysis of trade debtors is as follows:

	<b>2002</b>	<b>Group</b>
	<b>HK\$'000</b>	2001 HK\$'000
0 – 30 days	<b>26,170</b>	8,707
31 – 60 days	<b>14,320</b>	6,401
61 – 90 days	<b>370</b>	281
Over 90 days	<b>252</b>	1,359
	<hr/>	<hr/>
Total	<b>41,112</b>	16,748
	<hr/>	<hr/>

**18. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Cash and bank balances	<b>62,454</b>	39,237	<b>136</b>	139
Time deposits	<b>111,000</b>	37,500	<b>–</b>	–
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	<b>173,454</b>	76,737	<b>136</b>	139
	<hr/>	<hr/>	<hr/>	<hr/>

**19. CREDITORS AND ACCRUALS**

Included in creditors and accruals is a balance of trade creditors of HK\$50,911,000 (2001: HK\$51,827,000).

An aged analysis of trade creditors is as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>40,391</b>	44,261
31 – 60 days	<b>1,939</b>	6,305
61 – 90 days	<b>3,352</b>	4
Over 90 days	<b>5,229</b>	1,257
	<hr/>	<hr/>
Total	<b>50,911</b>	51,827
	<hr/>	<hr/>

**20. INTEREST-BEARING BANK LOANS AND OVERDRAFTS**

	<b>2002</b>	<b>Group</b> 2001
	<b>HK\$'000</b>	HK\$'000
Bank overdrafts repayable on demand or within one year	<u>143</u>	<u>201</u>
Trust receipt loans repayable on demand or within one year	<u>2,004</u>	<u>2,872</u>
Bank loans repayable:		
On demand or within one year	57,879	28,259
In the second year	20,000	10,000
In the third to fifth years, inclusive	<u>35,000</u>	<u>35,000</u>
	<u>112,879</u>	<u>73,259</u>
	115,026	76,332
Portion classified as current liabilities	<u>(60,026)</u>	<u>(31,332)</u>
Long term portion	<u>55,000</u>	<u>45,000</u>

**21. DEFERRED TAXATION**

	<b>2002</b>	<b>Group</b> 2001
	<b>HK\$'000</b>	HK\$'000
At beginning of year	596	–
Charge for the year – <i>Note 10</i>	80	596
Exchange adjustments	<u>(18)</u>	<u>–</u>
At end of year	<u>658</u>	<u>596</u>

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



**22. SHARE CAPITAL**

	<b>Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Authorised:		
1,000,000,000 (2001: 500,000,000) ordinary shares of HK\$0.10 each	<u><b>100,000</b></u>	<u>50,000</u>
Issued and fully paid:		
411,446,239 (2001: 274,297,493) ordinary shares of HK\$0.10 each	<u><b>41,145</b></u>	<u>27,430</u>

During the year, the following movements in share capital were recorded:

- (a) Pursuant to an ordinary resolution passed on 31 August 2001, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 new shares of HK\$0.10 each, such new shares ranking pari passu in all respects with the existing issued shares of the Company.
- (b) A rights issue on the basis of one rights share for every two existing shares held by shareholders on the register of members on 18 February 2002 was made, at an issue price of HK\$0.46 per rights share, resulting in the issue of 137,148,746 shares of HK\$0.10 each for a total cash consideration, before share issue expenses, of approximately HK\$63,089,000. The proceeds of the issue of rights shares will be used to fund the expansion of the Group's business in the PRC and also for the Group's general working capital.

A summary of the movements of the Company's ordinary share capital during the year is as follows:

	<b>Number of shares in issue</b>	<b>Issued capital HK\$'000</b>
At 1 April 2001	274,297,493	27,430
Rights issue	<u>137,148,746</u>	<u>13,715</u>
<b>At 31 March 2002</b>	<u><b>411,446,239</b></u>	<u><b>41,145</b></u>

There were no changes to the carrying amount, or to the number of ordinary shares in issue during the prior year.

**23. RESERVES**

	Share premium account HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000 <i>Note (a)</i>	Revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000 <i>Note (b)</i>	Retained profits HK\$'000	Total HK\$'000
<b>Group</b>								
At 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 and 1 April 2001	–	740	99,175	13,915	8,281	–	172,846	294,957
Issue of rights shares	49,374	–	–	–	–	–	–	49,374
Share issue expenses	(879)	–	–	–	–	–	–	(879)
Realisation on depreciation during the year	–	–	–	(404)	–	–	404	–
Impairment of leasehold land and buildings	–	–	–	(13,511)	–	–	–	(13,511)
Exchange realignment of foreign subsidiaries	–	–	–	–	(129)	–	–	(129)
Transfer to reserve funds	–	–	–	–	–	1,183	(1,183)	–
Net loss for the year attributable to shareholders	–	–	–	–	–	–	(38,769)	(38,769)
<b>At 31 March 2002</b>	<b>48,495</b>	<b>740</b>	<b>99,175</b>	<b>–</b>	<b>8,152</b>	<b>1,183</b>	<b>133,298</b>	<b>291,043</b>

**23. RESERVES** *(continued)**Notes:*

- (a) 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.
- (b) In accordance with the financial regulations applicable in the PRC, a portion of the profits of a subsidiary of the Company in the PRC has been transferred to reserve funds which are restricted as to use.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill/negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against/credited to consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. Following this assessment, the directors are of the opinion that there is no impairment of goodwill previously included in consolidated reserves.

The amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries, are as follows:

	<b>Group</b>	
	<b>Goodwill eliminated against capital reserve and retained profits HK\$'000</b>	<b>Negative goodwill included in capital reserve HK\$'000</b>
Cost:		
At beginning of year and as at 31 March 2002	(28,174)	7,932
Accumulated impairment:		
At beginning of year and as at 31 March 2002	—	—
Net amount:		
At 31 March 2002 and 2001	<u>(28,174)</u>	<u>7,932</u>

### 23. RESERVES (continued)

Company	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	–	166,533	47,600	214,133
Net profit for the year	–	–	21,068	21,068
At 31 March 2001 and 1 April 2001	–	166,533	68,668	235,201
Issue of rights shares	49,374	–	–	49,374
Share issue expenses	(879)	–	–	(879)
Net loss for the year	–	–	(69)	(69)
<b>At 31 March 2002</b>	<b>48,495</b>	<b>166,533</b>	<b>68,599</b>	<b>283,627</b>

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 shareholders out of the contributed surplus.

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2001 HK\$'000
Profit/(loss) from operating activities	(29,892)	25,804
Interest income	(1,393)	(3,500)
Loss on disposal of fixed assets	3,194	1,468
Depreciation	56,181	51,491
Amortisation of intangible assets	4,291	4,291
Impairment of leasehold land and buildings	13,408	–
Decrease in inventories	48,170	4,975
Increase in debtors	(28,409)	(1,555)
Increase in bills receivable	(1,619)	(2,554)
Increase in deposits paid	(1,006)	(18,793)
Decrease in prepayments and other receivables	10,538	29,446
Increase/(decrease) in creditors and accruals	1,007	(3,726)
Increase/(decrease) in bills payable	(9,768)	7,566
Net cash inflow from operating activities	<b>64,702</b>	<b>94,913</b>

**24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** *(continued)***(b) Analysis of changes in financing during the year**

	<b>Issued capital (including share premium account) HK\$'000</b>	<b>Bank and trust receipt loans HK\$'000</b>	<b>Minority interests HK\$'000</b>
Balance at 1 April 2000	27,430	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	–
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2001 and 1 April 2001	27,430	76,131	–
Net cash inflow from financing activities	62,665	39,604	–
Accrued share issue expenses	(455)	–	–
Decrease in short term bank and trust receipt loans classified as cash equivalents	–	(868)	–
Exchange adjustments	–	16	–
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2002</b>	<b>89,640</b>	<b>114,883</b>	<b>–</b>

**24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** *(continued)***(c) Acquisition of subsidiaries/businesses**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Net assets acquired:		
Fixed assets	-	17,266
Inventories	-	12,417
Debtors	-	4,543
Prepayments and other receivables	-	4,521
Cash and bank balances	-	1,172
Creditors and accruals	-	(13,967)
Tax payable	-	(66)
	<hr/>	<hr/>
	-	25,886
Goodwill on acquisition	-	23,416
	<hr/>	<hr/>
	-	49,302
Satisfied by:		
Cash	-	49,302
	<hr/>	<hr/>

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries/businesses

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Cash consideration	-	(49,302)
Cash and bank balances acquired	-	1,172
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries/businesses	-	(48,130)
	<hr/>	<hr/>

The subsidiaries/businesses acquired during the previous 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 for that year.

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

**25. OPERATING LEASE ARRANGEMENTS****(a) As lessor**

The Group sub-leases one of its retail properties under an operating lease arrangement, with the lease negotiated for a term of three years.

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

	<b>2002</b>	<b>Group</b>
	<b>HK\$'000</b>	2001 HK\$'000
Within one year	<b>509</b>	297
In the second to fifth years, inclusive	<b>806</b>	–
	<u><b>1,315</b></u>	<u>297</u>

**(b) As lessee**

The Group leases certain of its office, retail outlets and warehouse properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

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

	<b>2002</b>	<b>Group</b>
	<b>HK\$'000</b>	2001 HK\$'000 (Restated)
Within one year	<b>195,815</b>	220,312
In the second to fifth years, inclusive	<b>236,493</b>	327,051
After five years	<b>239</b>	1,107
	<u><b>432,547</b></u>	<u>548,470</u>

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 could not be accurately estimated, the relevant rental commitments have not been included above.

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



**26. COMMITMENTS**

In addition to the operating lease commitments detailed in note 25 above, the Group and the Company had commitments under foreign exchange contracts as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Foreign exchange contracts	<u><b>17,940</b></u>	<u>–</u>

**27. CONTINGENT LIABILITIES**

	<b>Group</b> <b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	<u><b>4,581</b></u>	<u>4,405</u>

The Company has given guarantees in favour of banks to the extent of HK\$400,719,000 (2001: HK\$327,851,000) in respect of banking facilities granted to certain subsidiaries. These were utilised to the extent of HK\$149,884,000 as at 31 March 2002 (2001: HK\$80,737,000).

**28. LITIGATIONS**

- (a) A High Court action (the "WDC 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 ("WDC"), for breach of a lease (the "Lease") relating to a property used by Bossini Trading as a warehouse for a minimum amount of HK\$7,247,596. Bossini Trading is defending the action and has counter-claimed against WDC 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 WDC claim is unlikely to succeed on the merits of the case and therefore, the directors consider that no material liability is likely to result therefrom.
- (b) Two High Court actions (the "Actions"), both 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 relating to properties used by Bossini Trading as warehouses. Judgements in respect of the Actions have been 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 the costs of the Actions. As at the date of this report, no payment has been made by Bossini Trading.

**28. LITIGATIONS** *(continued)*

A winding-up order was made against Bossini Trading on 28 January 2002. So far as the directors are aware, with a winding-up order having been made against Bossini Trading, WDC would require the leave of the courts to continue the WDC Action and such leave has not been obtained.

With respect to the Actions, the Plaintiffs would likely rank as unsecured creditors in the event of any distribution of assets upon the winding-up of Bossini Trading.

As Bossini Trading has minimal assets and neither the Company, nor any of its subsidiaries has provided any guarantees or sureties in respect of the liabilities of Bossini Trading, the directors consider that there would be no significant adverse impact on the financial position of the Group as a result of any action taken by the Plaintiffs to enforce the judgements against Bossini Trading or any unfavourable judgement being made against Bossini Trading upon leave of the courts being granted to WDC to continue the WDC Action.

**29. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, on 27 June 2002, the directors recommend a bonus issue of new shares to be distributed to shareholders of the Company whose names appear on the register of members of the Company on 30 August 2002 in the proportion of one new share for every four existing shares held by them (the "Bonus Issue"). Based on 411,446,239 ordinary shares in issue as at 27 June 2002, a maximum of 102,861,559 new ordinary shares (the "Bonus Shares") will be issued. This recommendation has not been incorporated in the financial statements because the Bonus Issue is conditional upon the approval by shareholders at the forthcoming annual general meeting and the granting by the Stock Exchange of the listing of and permission to deal in the Bonus Shares to be issued. Upon approval by both parties, the Bonus Shares will be issued, credited as fully paid, by capitalising the sum of up to HK\$10,286,156 standing to the credit of the share premium account of the Company and will rank *pari passu* in all respects with the existing issued shares.

**30. RELATED PARTY TRANSACTIONS**

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

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	<b>Group</b> 2001 HK\$'000
Rental paid for warehouse premises	(a)	<b>1,240</b>	1,240
Rental paid for office premises	(b)	<b>4,433</b>	4,212
Rental paid for a retail outlet	(c)	<b>—</b>	1,293

**30. RELATED PARTY TRANSACTIONS** *(continued)*

*Notes:*

- (a) The rental was paid to Laws Fashion Knitters Limited ("Laws Fashion"). Mr. Ka Sing LAW, a director of the Company, has beneficial equity interest in Laws Fashion. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (b) The rental for the period from 1 April 2000 to 30 September 2001 was paid to First On International Limited ("First On"). Mr. Ka Sing LAW, a director of the Company, had beneficial equity interest in First On. The rental for the period from 1 October 2001 to 31 March 2002 was paid to Bright City International Limited in which Mr. Ka Sing LAW has beneficial equity interests. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (c) The rental for the prior year was paid to Yatin Development Limited ("Yatin"). Mr. Ka Sing LAW, a director of the Company, was also a director of, and had beneficial equity interest in, Yatin during the prior year. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

**31. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current year's presentation:

- (a) As further explained in note 2 to the financial statements, due to the adoption of new and revised SSAPs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.
- (b) Credit card receivables totalling HK\$4,675,000 as at 31 March 2001 were classified under prepayments and other receivables 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 of the transactions, they have been reclassified under debtors.

**32. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 27 June 2002.