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. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

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 those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 22 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

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

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and in note 24 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. The recognition of this accrual has resulted in a prior year adjustment, further details of which are included under the heading "Employee benefits" in note 3 and in note 19 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. 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.

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

Subsidiaries

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

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. 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.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill 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.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill 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.

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

Impairment of assets *(continued)*

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 at a rate of 2% per annum, whichever is shorter.

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

Fixed assets and depreciation *(continued)*

The revaluation reserve arising from the revaluation of fixed assets is realised and transferred directly to retained profits 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. If the total of this reserve is insufficient to cover an impairment loss, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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.

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.

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

Inventories *(continued)*

With effect from the current year, the Group has changed its provisioning policies on inventories by decelerating the rates of provision applied to slow-moving inventories. This constitutes a change in accounting estimate. In the opinion of the directors, the net realisable value of inventories is more accurately reflected by the revised rates. This change has been applied prospectively and has resulted in a reduction in the provision for slow-moving inventories of approximately HK$16,356,000 for the year.

Deferred tax

Deferred tax 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 exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries, and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

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;

(e) royalties, on a time proportion basis in accordance with the substance of the relevant agreements; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has resulted in a prior year adjustment due to the initial recognition of the accrual, further details of which are included in note 19 to the financial statements.

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

Employee benefits *(continued)*

Pension schemes

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

Under the MPF 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 in accordance with the rules of the MPF Scheme. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 ORSO 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.

The assets of the MPF and ORSO Schemes are held separately from those of the Group in independently administered funds.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

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 Singapore.

In Taiwan, as required by the Labour Standards Law, one of the Company's subsidiaries makes regular contributions to a retirement fund to meet its employees' retirement and termination benefits. Currently, the contributions have 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.

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

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 24 to the financial statements.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenue 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, and assets and liabilities are derived from the 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		Mainland China		Taiwan		Singapore		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**767,334**	851,120	**484,449**	267,346	**287,676**	298,205	**151,984**	171,802	**1,691,443**	1,588,473
Other revenue	**3,221**	1,044	**1,398**	280	**1,258**	119	**163**	137	**6,040**	1,580
Total	**770,555**	852,164	**485,847**	267,626	**288,934**	298,324	**152,147**	171,939	**1,697,483**	1,590,053
Segment results	**(17,141)**	(34,392)	**(22,702)**	12,850	**(35,182)**	(19,984)	**6,698**	10,241	**(68,327)**	(31,285)
Interest income									**2,262**	1,393
Loss from operating activities									**(66,065)**	(29,892)
Finance costs									**(6,712)**	(5,333)
Loss before tax									**(72,777)**	(35,225)
Tax									**(1,354)**	(3,544)
Net loss from ordinary activities attributable to shareholders									**(74,131)**	(38,769)

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Segment assets	**229,895**	342,152	**221,678**	126,816	**85,725**	52,709	**40,831**	37,632	**578,129**	559,309
Unallocated assets									**959**	6,213
Total assets									**579,088**	565,522
Segment liabilities	**79,157**	63,454	**96,673**	37,336	**14,055**	11,258	**2,693**	9,602	**192,578**	121,650
Unallocated liabilities									**129,752**	115,684
Total liabilities									**322,330**	237,334
Other segment information:										
Capital expenditure	**9,331**	17,651	**32,600**	17,983	**17,771**	14,721	**2,827**	5,690	**62,529**	56,045
Depreciation	**25,085**	33,862	**16,004**	8,200	**13,210**	9,068	**5,826**	5,051	**60,125**	56,181
Amortisation of intangible assets	**–**	4,291	**–**	–	**–**	–	**–**	–	**–**	4,291
Loss/(gain) on disposal of fixed assets	**(85)**	2,295	**200**	853	**6,344**	46	**–**	–	**6,459**	3,194
Impairment of leasehold land and buildings	**–**	13,408	**–**	–	**–**	–	**–**	–	**–**	13,408
Inventory provision	**10,925**	16,450	**10,633**	5,009	**79**	10,176	**2,037**	6,788	**23,674**	38,423
Impairment of goodwill	**1,541**	–	**–**	–	**–**	–	**–**	–	**1,541**	–

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:

	Group	
	2003	2002
	HK$'000	HK$'000
Turnover:		
Retailing and distribution of garments	**1,691,443**	1,588,473
Other revenue:		
Interest income	**2,262**	1,393
Claims received	**2,630**	412
Royalty income	**710**	–
Gross rental income	**895**	509
Sample charges received	**977**	–
Others	**828**	659
	8,302	2,973
Total revenue for the year	**1,699,745**	1,591,446

6. LOSS FROM OPERATING ACTIVITIES

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

		Group	
	Note	**2003**	2002
		HK$'000	HK$'000
Cost of sales:			
Cost of inventories sold		**966,882**	858,463
Inventory provision		**23,674**	38,423
		990,556	896,886
Staff costs (including directors' remuneration – *Note 7*):			
Wages and salaries		**234,975**	200,588
Pension scheme contributions		**10,774**	8,601
Less: Forfeited contributions		**(807)**	–
Net pension contributions – *Note (a)*		**9,967**	8,601
		244,942	209,189
Amortisation of intangible assets – *Note (b)*		**–**	4,291
Depreciation	*13*	**60,125**	56,181
Minimum lease payments under operating leases:			
Land and buildings		**241,269**	230,744
Contingent rent of retail shops		**29,673**	31,212
Plant and machinery		**257**	19
Auditors' remuneration		**1,483**	1,333
Loss on disposal of fixed assets		**6,459**	3,194
Foreign exchange losses/(gains), net		**(349)**	9,369
Impairment of leasehold land and buildings – *Note (b)*		**–**	13,408
Impairment of goodwill – *Note (c)*		**1,541**	–
Net rental income		**(211)**	(110)

6. LOSS FROM OPERATING ACTIVITIES *(continued)*

Notes:

(a) As at 31 March 2003, forfeited contributions available to the Group to reduce its contributions to the ORSO Scheme in future years amounted to HK$227,000 (2002: HK$962,000).

(b) The amortisation of intangible assets and the impairment of leasehold land and buildings in the prior year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

(c) The impairment of goodwill for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

7. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	HK$'000	HK$'000
Executive directors:		
Fees	**–**	–
Salaries, allowances and benefits in kind	**8,180**	5,398
Pension scheme contributions	**62**	41
	8,242	5,439
Independent non-executive directors:		
Fees	**192**	192
	8,434	5,631

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

	Number of directors	
	2003	2002
Nil to HK$1,000,000	**4**	6
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	8	7

There was no arrangement 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 three (2002: one) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining two (2002: four) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,550**	5,163
Pension scheme contributions	**101**	148
	2,651	5,311

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

	Group Number of employees	
	2003	2002
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**–**	1
	2	4

9. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**6,712**	5,333

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 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.

	Group	
	2003	2002
	HK$'000	HK$'000
Group:		
Hong Kong	**1,253**	307
Elsewhere	**978**	5,242
Overprovision in prior year	**(364)**	(2,085)
	1,867	3,464
Deferred tax *(Note 21)*	**(513)**	80
Tax charge for the year	**1,354**	3,544

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company was HK$76,480,000 (2002: HK$69,000).

12. BASIC LOSS PER SHARE

The basic loss per share is calculated based on the net loss from ordinary activities attributable to shareholders for the year of HK$74,131,000 (2002: HK$38,769,000) and on the weighted average of 514,307,798 (2002: 369,901,835, as restated) shares in issue during the year, as adjusted to reflect the bonus shares issued during the year. The weighted average number of shares for the years ended 31 March 2003 and 2002 have not been adjusted retrospectively to reflect the rights issue after the balance sheet date.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been calculated as no diluting events existed during these years.

13. 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	209,565	5,680	90,441	5,314	393,154
Additions	–	46,098	58	16,267	106	62,529
Disposals	–	(25,524)	–	(1,924)	(408)	(27,856)
Exchange realignment	–	850	–	324	44	1,218
Reclassification	–	2,029	–	(2,029)	–	–
At 31 March 2003	**82,154**	**233,018**	**5,738**	**103,079**	**5,056**	**429,045**
Representing:						
At cost	42,154	233,018	5,738	103,079	5,056	389,045
At valuation	40,000	–	–	–	–	40,000
	82,154	233,018	5,738	103,079	5,056	429,045
Accumulated depreciation and impairment:						
At beginning of year	40,846	151,474	3,006	62,691	3,606	261,623
Depreciation provided during the year	2,244	44,315	428	12,484	654	60,125
Disposals	–	(19,126)	–	(1,565)	(323)	(21,014)
Exchange realignment	–	396	–	176	30	602
Reclassification	–	616	–	(616)	–	–
At 31 March 2003	**43,090**	**177,675**	**3,434**	**73,170**	**3,967**	**301,336**
Net book value:						
At 31 March 2003	**39,064**	**55,343**	**2,304**	**29,909**	**1,089**	**127,709**
At 31 March 2002	41,308	58,091	2,674	27,750	1,708	131,531

13. FIXED ASSETS *(continued)*

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

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

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

At 31 March 2003, 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$13,795,000 (2002: HK$15,000,000).

The Group adopted the transitional provision 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

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**193,962**	193,962
Due from subsidiaries	**131,994**	120,727
	325,956	314,689
Provision for impairment	**(77,541)**	–
	248,415	314,689

The amounts due from 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 Direct	Indirect	Principal activities
Active Link Limited – *Note (c)*	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 garments
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 – *Notes (a) and (c)*	People's Republic of China ("PRC")/ Mainland 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

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 Direct	Indirect	Principal activities
Kacono Trading Limited	British Virgin Islands	HK$2,000	–	100	Investment holding
Key Value Trading Limited	British Virgin Islands	US$100	–	100	Investment holding
Land Challenger Limited	Hong Kong	HK$2	–	100	Garment manufacture sub-contracting
Langzhi Fashion (Shenzhen) Company Limited – *Notes (b) and (c)*	PRC/ Mainland China	HK$6,600,000	–	100	Garment manufacture 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.

14. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

(a) Guangzhou Bossini Enterprises Company Limited is a limited liability enterprise established in the PRC which obtained its business registration certificate on 14 July 1993.

(b) Langzhi Fashion (Shenzhen) Company Limited is a wholly-owned foreign investment enterprise with limited liability established in the PRC which obtained its business registration certificate on 14 June 1993 and is licensed to conduct business for 25 years from the date of its business registration.

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

15. INTANGIBLE ASSETS

	Group	
	2003	2002
	HK$'000	HK$'000
Balance at beginning of year	**–**	4,291
Amortisation during the year	**–**	(4,291)
Balance at end of year	**–**	–

16. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**4,176**	3,046
Finished goods	**225,874**	121,531
	230,050	124,577

At the balance sheet date, no inventories were carried at net realisable value (2002: Nil).

17. DEBTORS

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

An aged analysis of trade debtors, based on invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
0 to 30 days	**39,899**	26,170
31 to 60 days	**9,255**	14,320
61 to 90 days	**26**	370
Over 90 days	**120**	252
Total	**49,300**	41,112

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**51,934**	62,454	**128**	136
Time deposits	**24,200**	111,000	**–**	–
Cash and cash equivalents	**76,134**	173,454	**128**	136

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$34,423,000 (2002: HK$20,898,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. CREDITORS AND ACCRUALS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Trade creditors	**75,975**	50,911	**–**	–
Accruals	**75,082**	58,402	**333**	788
	151,057	109,313	**333**	788

An aged analysis of trade creditors, based on invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
0 to 30 days	**68,856**	40,391
31 to 60 days	**3,403**	1,939
61 to 90 days	**847**	3,352
Over 90 days	**2,869**	5,229
Total	**75,975**	50,911

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, an accrual is now made at the balance sheet date for the expected future cost of paid annual leave earned during the year by employees, which remains untaken by the employees at the balance sheet date and is permitted to be carried forward and utilised in the following year.

This change in accounting policy has resulted in HK$4,000,000 being included in the balance of the Group's accruals in respect of paid leave carried forward as at 31 March 2003 and 2002. As a consequence, the consolidated retained profits and the net assets at 1 April 2002 and 2001 have been reduced by HK$4,000,000 as detailed in the consolidated statement of changes in equity. There is no impact on the Group's net loss from ordinary activities attributable to shareholders for both years presented.

20. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2003	2002
	HK$'000	HK$'000
Bank overdrafts repayable within one year or on demand	**–**	143
Trust receipt loans repayable within one year or on demand	**49,098**	2,004
Bank loans repayable:		
Within one year or on demand	**45,478**	57,879
In the second year	**20,000**	20,000
In the third to fifth years, inclusive	**15,000**	35,000
	80,478	112,879
	129,576	115,026
Portion classified as current liabilities	**(94,576)**	(60,026)
Long term portion	**35,000**	55,000

21. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	**658**	596
Charge/(credit) for the year – *Note 10*	**(513)**	80
Exchange realignment	**31**	(18)
At end of year	**176**	658

21. DEFERRED TAX *(continued)*

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements, calculated at 17.5% (2002: 16%), are as follows:

	Provided		Not provided	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**176**	658	**(1,376)**	(979)
Tax losses	**–**	–	**(13,830)**	(12,159)
	176	658	**(15,206)**	(13,138)

22. SHARE CAPITAL

	Company	
	2003	2002
	HK$'000	HK$'000
Authorised:		
2,000,000,000 (2002: 1,000,000,000) ordinary shares of HK$0.10 each	**200,000**	100,000
Issued and fully paid:		
514,307,798 (2002: 411,446,239) ordinary shares of HK$0.10 each	**51,431**	41,145

During the year, the movements in share capital were as follows:

(a) Pursuant to an ordinary resolution passed on 30 August 2002, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 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) On 12 September 2002, the Company completed an issue of bonus shares on the basis of one bonus share for every four existing shares held. A total of 102,861,559 bonus shares of HK$0.10 each were issued, credited as fully paid by way of the capitalisation of approximately HK$10,286,000 of the Company's share premium account.

22. SHARE CAPITAL *(continued)*

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2001	274,297,493	27,430	–	27,430
Issue of rights shares	137,148,746	13,715	49,374	63,089
Share issue expenses	–	–	(879)	(879)
At 31 March 2002 and 1 April 2002	411,446,239	41,145	48,495	89,640
Issue of bonus shares	102,861,559	10,286	(10,286)	–
At 31 March 2003	**514,307,798**	**51,431**	**38,209**	**89,640**

23. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 22 of the financial statements.

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

	Group	
	Goodwill eliminated against capital reserve and retained profits	**Negative goodwill included in capital reserve**
	HK$'000	HK$'000
Cost:		
At beginning of year and at 31 March 2003	(28,174)	7,932
Accumulated impairment:		
At beginning of year	–	–
Impairment provided during the year	2,205	(664)
At 31 March 2003	**2,205**	**(664)**
Net amount:		
At 31 March 2003	**(25,969)**	**7,268**
At 31 March 2002	(28,174)	7,932

23. RESERVES *(continued)*

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 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)
At 31 March 2002 and at 1 April 2002		48,495	166,533	68,599	283,627
Issue of bonus shares	*22*	(10,286)	–	–	(10,286)
Net loss for the year		–	–	(76,480)	(76,480)
At 31 March 2003		**38,209**	**166,533**	**(7,881)**	**196,861**

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) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, and interest received is now included in cash flows from investing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. This change in accounting policy has had no material effect on the amounts previously reported in the prior year's cash flow statement.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 3 to the financial statements. This has resulted in trust receipt loans repayable within three months from date of advance no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove such trust receipt loans amounting to HK$2,004,000 previously included at that date. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

(b) Major non-cash transaction

During the year, the Company issued 102,861,559 bonus shares of HK$0.10 each by capitalising an amount of approximately HK$10,286,000 from the share premium account.

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 five years. The terms of the lease also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2003, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**2,350**	509
In the second to fifth years, inclusive	**6,180**	806
	8,530	1,315

(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 six years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**207,282**	195,815
In the second to fifth years, inclusive	**270,047**	236,493
After five years	**49**	239
	477,378	432,547

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.

At the balance sheet date, the Company did not have any future minimum lease payments under non-cancellable operating leases.

26. COMMITMENTS

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

	Group	
	2003	2002
	HK$'000	HK$'000
Foreign exchange contracts	**31,113**	17,940

At the balance sheet date, the Company did not have any significant commitments.

27. CONTINGENT LIABILITIES

	Group	
	2003	2002
	HK$'000	HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**2,520**	4,581

The Company has given guarantees in favour of banks to the extent of HK$427,000,000 (2002: HK$400,719,000) in respect of banking facilities granted to certain subsidiaries. These were utilised to the extent of HK$175,197,000 as at 31 March 2003 (2002: HK$149,884,000).

28. LITIGATION

(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 approximately 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.

28. LITIGATION *(continued)*

(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 were 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.

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 13 May 2003, a rights issue on the basis of one rights share for every two existing shares held by shareholders on the register of members on 15 April 2003 was allotted, at an issue price of HK$0.22 per rights share, resulting in the issue of 257,153,899 shares of HK$0.10 each for a total cash consideration, before share issue expenses, of approximately HK$56,574,000. The net proceeds from the rights issue of approximately HK$55,670,000 will be used as follows:

(a) as to approximately HK$10 million to finance the expansion of the Group's authorised dealer business in Mainland China;

(b) as to approximately HK$30 million for repayment of bank borrowings; and

(c) as to approximately HK$15.67 million as general working capital for the Group.

30. RELATED PARTY TRANSACTIONS

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

		Group	
	Notes	**2003**	2002
		HK$'000	HK$'000
Rental paid for warehouse premises	*(a)*	**1,240**	1,240
Rental paid for office premises	*(b)*	**4,543**	4,433

Notes:

(a) The rental for the period from 1 April 2002 to 24 March 2003 was paid to Laws International Group Limited ("Laws International") (formerly known as Laws Fashion Knitters Limited). Mr. Ka Sing LAW, a director of the Company, had a beneficial equity interest in Laws International during the year. 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 2002 to 24 March 2003 was paid to Bright City International Limited ("Bright City"). Mr. Ka Sing LAW, a director of the Company, had a beneficial equity interest in Bright City during the year. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

In the prior year, the rental for the period from 1 April 2001 to 30 September 2001 was paid to First On International Limited ("First On"). Mr. Ka Sing LAW, a director of the Company, had a beneficial equity interest in First On. The rental for the period from 1 October 2001 to 31 March 2002 was paid to Bright City.

31. COMPARATIVE AMOUNTS

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2003.