

Notes to the Financial Statement

31 March 2004

1. CORPORATE INFORMATION

The registered office of the Company is located at Units 2706-07, 27/F, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activity of the subsidiaries is the trading of fashion apparel. There were no significant changes in the nature of the Group's principal activities during the year.

The directors consider Taco Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"), to be the Company's ultimate holding company as at the balance sheet date.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes" is effective for the first time for the current year's financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 11 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

3. GROUP REORGANISATION

Pursuant to the group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 7 October 2002, except for LeRoi Macao Commercial Offshore Limited, 東莞美爾奴時裝有限公司 and Go Fast Limited (collectively referred to as the "New Subsidiaries"), which were incorporated/established subsequent to the completion of the Group Reorganisation. This was accomplished by the Company acquiring the entire issued share capital of Born Idea Limited ("BIL"), a company incorporated in the BVI and the then holding company of the other subsidiaries as set out in note 16 to the financial statements, except for the New Subsidiaries, in consideration and in exchange for the allotment and issue of a total of 1,000,000 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to Taco Holdings Limited, as directed by Mr. So Chi Hiu ("Mr. So"), a director of the Company and the former shareholder of BIL. The Company's shares were listed on the Stock Exchange on 7 November 2002. Further details of the Group Reorganisation are also set out in note 23 to these financial statements and in the Company's prospectus dated 23 October 2002 (the "Prospectus").

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3. GROUP REORGANISATION (Continued)

As further detailed in the Prospectus, the ongoing businesses relating to the provision of administrative services and the trading of fashion apparel (the “Transferred Businesses”) operated by Godlap Company Limited (“GCL”) were transferred to the Group with effect from 11 May 2002. Since then, GCL discontinued its activities of the Transferred Businesses. GCL, a company incorporated in Hong Kong with limited liability, is a related company of the Company as a director and the substantial shareholder of the Company has a beneficial interest therein.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These 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.

Basis of consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial year presented rather than from the date of their acquisition, except for the New Subsidiaries which are consolidated from their respective dates of incorporation/establishment. Accordingly, the consolidated results of the Group for the years ended 31 March 2003 and 2004 include the results of the Company and its subsidiaries with effect from 1 April 2002 or since their respective dates of incorporation, where this is a shorter period. Pursuant to the Group Reorganisation, the results attributable to the Transferred Businesses had been included in the consolidated financial statements of the Group with effect from 11 May 2002. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. 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.

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4. 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.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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.

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets are stated at cost 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 the 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 of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	33%
Furniture, fixtures and equipment	33%
Leasehold improvements	Over the lease terms

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.

Inventories

Inventories, which comprise finished goods held for resale, are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. 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 be incurred to disposal.

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.

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

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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:

- 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; and
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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4. 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.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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 lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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 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.

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5. SEGMENT INFORMATION

The Group's primary segment reporting basis is by business segment and its secondary segment reporting basis is by geographical segment.

(i) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. During the year, over 90% of the Group's revenue, results, assets and liabilities were derived from the trading segment engaged in the trading of fashion apparel and accordingly, no further detailed analysis of the Group's business segments is disclosed.

(ii) Geographical segments

In determining the Group's geographical segments, revenues 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. During the year, over 90% of the Group's revenue and assets were derived from customers and operations based in the People's Republic of China including Mainland China and Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

6. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold	111,523	91,510
Depreciation (note 15)	1,607	325
Impairment of fixed assets *	90	–
Provision for bad and doubtful debts *	–	4,283
Provision for slow-moving inventories	1,000	2,027
Subsidies granted to franchisees *#	9,131	–
Staff costs (excluding directors' remuneration – note 9):		
Salaries and allowances	2,066	1,666
Retirement scheme contributions	48	32
	2,114	1,698
Auditors' remuneration	1,500	800
Minimum lease payments under operating leases for land and buildings	394	209
Interest income	(20)	(13)

* These amounts are included in "Other operating expenses" on the face of the consolidated profit and loss account.

The amount represented subsidies granted by the Group to its franchisees for their purchases of Severe Acute Respiratory Syndrome ("SARS") prevention items during the period of the outbreak of SARS.

8. FINANCE COSTS

	2004 HK\$'000	Group 2003 HK\$'000
Interest on finance lease	8	–

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9. DIRECTORS' REMUNERATION

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	240	120
	240	120
Other emoluments – executive directors:		
Basic salaries, housing, other allowances and benefits in kind	1,437	1,232
Retirement scheme contributions	34	38
	1,471	1,270
	1,711	1,390

The remuneration of each director fell within the nil to HK\$1,000,000 band.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year ended 31 March 2003, a director of the Company agreed to waive emoluments of a total of HK\$144,000.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2003: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees for the year are set out as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	360	335
Retirement scheme contributions	17	16
	377	351

The remuneration of each non-director, highest paid employee fell within the nil to HK\$1,000,000 band.

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

11. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). 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.

	2004 HK\$'000	2003 HK\$'000
Group:		
Current – Macau	5,146	7,774
Current – Mainland China	95	95
	5,241	7,869
Share of tax attributable to an associate	–	–
Total tax charge for the year	5,241	7,869

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11. TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the regions in which the Company is as follows:

Group – 2004

	Hong Kong HK\$'000	Macau HK\$'000	Mainland China HK\$'000	Total HK\$'000
Profit/(loss) before tax	(7,683)	31,130	(96)	23,351
Tax at the applicable tax rate	(1,344)*	5,084**	95***	3,835
Expenses not deductible for tax	611	62	–	673
Estimated tax losses not recognised	733	–	–	733
Tax charge at the Group's effective rate	–	5,146	95	5,241

Group – 2003

	Hong Kong HK\$'000	Macau HK\$'000	Mainland China HK\$'000	Total HK\$'000
Profit/(loss) before tax	(5,143)	49,180	(125)	43,912
Tax at the applicable tax rate	(823)*	7,774**	95***	7,046
Expenses not deductible for tax	823	–	–	823
Tax charge at the Group's effective rate	–	7,774	95	7,869

* The standard Hong Kong Profit Tax rate is 17.5%.

** The standard Macau Complementary Tax rate is 15.75%.

*** The standard Mainland China Corporate Income Tax rate is 33% on deemed profit, which was based on the 30% recognised income of a Company's subsidiary.

The Group has tax losses arising in Hong Kong of HK\$4,189,000 (2003: Nil) that are available indefinitely for offsetting against future taxable profits of a company in which the loss arose. Deferred tax asset has not been recognised in respect of this loss as it was arisen in a subsidiary that has been loss-making for some time.

At 31 March 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company, was HK\$9,025,000 (2003: HK\$721,000) (note 25).

13. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim – HK0.45 cents (2003: Nil) per ordinary share	3,643	–
Special dividend – HK0.75 cents per ordinary share	6,072	12,000
	9,715	12,000

The special dividend for the year ended 31 March 2003 was paid by a subsidiary to its then shareholder prior to the Group Reorganisation and listing of the Company's shares on the Stock Exchange. The rate of the dividend and the number of shares ranking for this dividend is not presented as the directors consider that such information is not meaningful for the purpose of these financial statements.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$18,110,000 (2003: HK\$36,043,000) and 809,600,000 (2003: the weighted average of 726,920,985) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 March 2003 includes the pro forma issued share capital of the Company, comprising the 1,000,000 shares issued nil paid on incorporation of the Company, the 1,000,000 shares issued as consideration for the acquisition of the entire issued share capital of BIL, the capitalisation issue of 665,920,000 shares as further detailed in note 23(vii) to the financial statements and the weighted average of 59,000,985 shares issued upon the listing of the Company's shares on 7 November 2002.

Diluted earnings per share amounts for the years ended 31 March 2003 and 2004 have not been disclosed as there were no diluting events existed during these years.

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15. FIXED ASSETS

Group

	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:				
At beginning of year	–	2,245	72	2,317
Additions	850	5,354	–	6,204
At 31 March 2004	850	7,599	72	8,521
Accumulated depreciation and impairment:				
At beginning of year	–	870	22	892
Depreciation provided for the year	140	1,431	36	1,607
Impairment during the year recognised in the profit and loss account	–	76	14	90
At 31 March 2004	140	2,377	72	2,589
Net book value:				
At 31 March 2004	710	5,222	–	5,932
At 31 March 2003	–	1,375	50	1,425

The net book value of the Group's fixed assets held under finance lease included in the total amount of motor vehicles at 31 March 2004 amounted to HK\$505,781 (2003: Nil).

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	38,898	38,898
Due from subsidiaries	29,599	29,002
	68,497	67,900

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and are repayable on demand.

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16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Born Idea Limited ("BIL")	BVI	US\$1,601	100	Investment holding
Indirectly held				
Top Million International Limited	Hong Kong	HK\$1,000	100	Provision of administrative services
Sincere Jade Limited	BVI/Mainland China	US\$1	100	Provision of quality control and design services
LeRoi Trading International Limited	BVI/Macau	US\$1,000	100	Trading of fashion apparel
Go Fast Limited	Hong Kong	HK\$100	100	Investment holding
LeRoi Macao Commercial Offshore Limited	Macau	MOP100,000	100	Provision of administrative services
東莞美爾奴時裝有限公司*	Mainland China	–	100	Dormant

* 東莞美爾奴時裝有限公司 is registered as a wholly-foreign owned enterprise under the Mainland China law. Up to the date of this annual report, the registered share capital of 東莞美爾奴時裝有限公司 has not yet been paid up.

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17. INTEREST IN AN ASSOCIATE

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	1,984	–
Loan advanced to an associate (note 28(b))	7,010	–
	8,994	–

The loan advanced to the associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Uni-Johnson Trading Limited ("Uni-Johnson")	Corporate	Hong Kong/ Mainland China	50	Property holding

The shareholding in the associate is held by the Company through a wholly-owned subsidiary and the associate was acquired by the Group during the year.

Further details of the acquisition of the associate are set out in note 28(b) to the financial statements and the Company's announcement dated 12 November 2003.

18. INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Finished goods	33,574	29,318

At 31 March 2004, no inventories were stated at net realisable value (2003: Nil).

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19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 90 days, except for certain well-established customers for whom the terms are extended to 120 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	24,462	36,253
91 to 180 days	16,647	–
	41,109	36,253

20. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$2,191,000 (2003: HK\$4,090,000). The RMB is not freely convertible into other currencies.

21. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	10,283	8,893

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22. FINANCE LEASE PAYABLE

The Group leases a motor vehicle for its business. This lease is classified as a finance lease and has a remaining lease term of two years.

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

Group

	Minimum lease payments 2004 HK\$'000	Minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2004 HK\$'000	Present value of minimum lease payments 2003 HK\$'000
Amounts payable:				
Within one year	109	–	96	–
In the second year	172	–	165	–
Total minimum finance lease payments	281	–	261	–
Future finance charges	(20)	–		
Total net finance lease payables	261	–		
Portion classified as current liabilities	(96)	–		
Long term portion	165	–		

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23. SHARE CAPITAL

Shares

	2004 HK\$'000	2003 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid:		
809,600,000 ordinary shares of HK\$0.01 each	8,096	8,096

The following movements in the Company's authorised and issued share capital took place during the period from 24 July 2002 (date of incorporation) to 31 March 2004:

- (i) On incorporation, the authorised share capital of the Company was HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each.
- (ii) On 31 July 2002, one subscriber share of HK\$0.01 was allotted and issued nil paid, and was transferred to Taco Holdings Limited, the Company's ultimate holding company, at nil consideration.
- (iii) On the same date, an aggregate of 999,999 shares were allotted and issued nil paid to Taco Holdings Limited.
- (iv) Pursuant to a written resolution passed on 7 October 2002, the authorised share capital of the Company was increased from HK\$10,000 to HK\$20,000,000 by the creation of a further 1,999,000,000 shares of HK\$0.01 each.
- (v) On 7 October 2002, as part of the Group Reorganisation set out in note 3, the Company issued an aggregate of 1,000,000 shares of HK\$0.01 each, credited as fully paid to the former shareholder of BIL, in consideration for the acquisition of the entire issued share capital of BIL. The excess of the fair value of the shares of BIL, determined on the basis of the consolidated net asset value of BIL and its then subsidiaries at that date over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$38,878,000, was credited to the Company's share premium account as set out in note 25 to the financial statements below.
- (vi) On 7 October 2002, an amount of HK\$10,000, being a portion of the amount credited to the share premium account of the Company on the issue of shares in exchange for the shares of BIL as set out in (v) above, was applied to pay up, in full at par value, the 1,000,000 shares allotted and issued nil paid.

Notes to the Financial Statement

31 March 2004

23. SHARE CAPITAL (Continued)

(vii) On 31 October 2002, the Company allotted and issued 665,920,000 shares to the holders of its shares whose names appeared on the register of members of the Company at that date, in proportion to their then holdings, by way of the capitalisation of the sum of HK\$6,659,200 standing to the credit of the share premium account of the Company. This allotment and the capitalisation were conditional on the share premium account being credited as a result of the Company's new shares issued to the public.

(viii) On 31 October 2002, 141,680,000 shares of HK\$0.01 each were issued to the public at HK\$0.25 each for a total cash consideration, before related issuing expenses, of HK\$35,420,000.

The following is a summary of the above movements in the authorised and issued share capital of the Company for the year ended 31 March 2003 and 2004:

	Notes	Number of authorised shares (^{'000})	Number of issued shares (^{'000})	Nominal value of shares issued HK\$ ^{'000}
Shares authorised on incorporation	(i)	1,000	–	–
Shares allotted and issued nil paid	(ii), (iii)	–	1,000	–
Increase in authorised share capital	(iv)	1,999,000	–	–
Shares issued as consideration for acquisition of the entire issued share capital of BIL	(v)	–	1,000	10
Application of capital reserve to pay up nil paid shares issued on incorporation	(vi)	–	–	10
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the Company's new shares offered to the public	(vii)	–	665,920	–
New issue on public listing	(viii)	–	141,680	1,417
Capitalisation of the share premium account	(vii)	–	–	6,659
Balance at 31 March 2003 and 2004		2,000,000	809,600	8,096

Share option scheme

Details of the Company's share option scheme are included in note 24 to the financial statements.

Notes to the Financial Statement

31 March 2004

24. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, and customers of the Group. The Scheme became effective on 8 October 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Up to the date of this report, no share options have been granted by the Company under the Scheme.

Notes to the Financial Statement

31 March 2004

25. RESERVES

Group

	Notes	Share premium account HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2002		–	36,380	36,380
Acquisition of Transferred Businesses	26(a)	(10,227)	–	(10,227)
Issue of shares to the public	23(viii)	34,003	–	34,003
Capitalisation on issue of shares	23(vii)	(6,659)	–	(6,659)
Share issue expenses		(7,290)	–	(7,290)
Net profit for the year		–	36,043	36,043
Special dividend		–	(12,000)	(12,000)
At 31 March and 1 April 2003		9,827	60,423	70,250
Net profit for the year		–	18,110	18,110
Interim and special dividends	13	–	(9,715)	(9,715)
At 31 March 2004		9,827	68,818	78,645
Reserves retained by:				
Company and subsidiaries		9,827	68,824	78,651
Associate		–	(6)	(6)
31 March 2004		9,827	68,818	78,645
Company and subsidiaries		9,827	60,423	70,250
31 March 2003		9,827	60,423	70,250

Notes to the Financial Statement

31 March 2004

25. RESERVES (Continued)

Company

	Notes	Share premium account HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 24 July 2002 (date of incorporation)		–	–	–
Arising on acquisition of BIL	23(v)	38,878	–	38,878
Issue of shares to the public	23(viii)	34,003	–	34,003
Capitalisation on issue of shares	23(vii)	(6,659)	–	(6,659)
Share issue expenses		(7,290)	–	(7,290)
Net profit for the period		–	721	721
At 31 March and 1 April 2003		58,932	721	59,653
Net profit for the year		–	9,025	9,025
Interim and special dividends	13	–	(9,715)	(9,715)
At 31 March 2004		58,932	31	58,963

The share premium account of the Group includes (i) shares issued at a premium; and (ii) the difference between the nominal value of the aggregate issued share capital of the subsidiaries acquired, together with the share premium arising on the acquisition of the Transferred Business pursuant to the Group Reorganisation as set out in note 3 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor.

The share premium account of the Company includes (i) shares issued at a premium; and (ii) the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor pursuant to the Group Reorganisation set out in note 3 to the financial statements.

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Notes to the Financial Statement

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26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of the Transferred Businesses

	Group	
	2004	2003
	HK\$'000	HK\$'000
Net liabilities acquired:		
Fixed assets	–	76
Prepayments, deposits and other receivables	–	28
Due to a related company	–	(6,563)
Due to a director	–	(3,768)
	–	(10,227)

As part of the Group Reorganisation as described in note 3 to the financial statements, on 11 May 2002, the Transferred Businesses operated by GCL were transferred to the Group. The consideration was settled by the allotment and issue of one ordinary share of US\$1 each, credited as fully paid, in BIL to Mr. So as directed by GCL. The share issued by BIL does not have a published price. The fair value of the share issued was estimated with reference to the fair values of the identifiable assets and liabilities attributable to the Transferred Businesses as at the date of acquisition. The excess of the nominal value of shares issued over the net liabilities acquired was debited to the share premium account (note 25).

The Transferred Businesses acquired in the prior year contributed a net loss of HK\$3,865,000 to the consolidated net profit from ordinary activities attributable to shareholders for the year ended 31 March 2003.

(b) Major non-cash transactions

- (i) During the year, the Group entered into a finance lease arrangement in respect of a fixed asset with a total capital value at the inception of the lease of HK\$300,000 (2003: Nil).
- (ii) The special dividend for the year ended 31 March 2003 of HK\$12 million, which was declared by a subsidiary of the Company to its then shareholder, was settled through the current account with a director, Mr. So.

Notes to the Financial Statement

31 March 2004

27. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises under an operating lease arrangement which is negotiated for a lease term of two years.

At 31 March 2004, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	60	290
In the second to fifth years, inclusive	–	60
	60	350

Notes to the Financial Statement

31 March 2004

28. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the transactions arising from the Group Reorganisation in the prior year, and the transaction and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties.

- (a) On 30 September 2003, the Group entered into a sale and purchase contract for the acquisition of a motor vehicle from Ms. Yeung Sau Han, Agnes, ("Ms. Yeung") an executive director of the Company, for a cash consideration of HK\$200,000, which was determined on the basis agreed between the Group and Ms. Yeung.
- (b) On 12 November 2003, the Group entered into a sale and purchase agreement (the "Agreement") with Mr. Shui Fuk Yip ("Mr. Shui") for the acquisition of a 50% equity interest in the capital of Uni-Johnson and the loan advanced to Uni-Johnson by Mr. Shui of approximately HK\$7,010,000 for a total cash consideration of HK\$9,000,000. Mr. Shui is the brother-in-law of Mr. So and the quality control manager of the Group. The terms of the Agreement were arrived between the Group and Mr. Shui as further detailed in the Company's announcement on 13 November 2003.
- (c) During the year ended 31 March 2003, a related company of which Mr. So is a director and shareholder repaid an amount of HK\$822,000 previously advanced by the Group to the related company.
- (d) During the year ended 31 March 2003, the Group advanced to a Company director, who was also a beneficial shareholder of the Company, of HK\$5,957,000 and the amount had been subsequently settled through a special dividend by a subsidiary.

29. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 12 during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to confirm with the current year's presentation.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 October 2004.