1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in bleaching, dyeing and knitting.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the current period cover the twelve month period ended 31 March 2005. The corresponding amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover a fifteen month period from 1 January 2003 to 31 March 2004 and therefore may not be comparable with amounts shown for the current period. The period covered by the preceding consolidated financial statements was greater than twelve months because the directors of the Company determined to bring the balance sheet date in line with that of the controlling shareholder, Easyknit International Holdings Limited ("Easyknit"). No further changes to reporting dates are anticipated.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

The Group has commenced considering the potential impact of the other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from or up to the effective date of acquisition or disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year/period. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill in so far as it has not already been amortised, less any identified impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the goodwill in so far as it has not already been amortised, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Revenue recognition

Telecommunications revenue for services provided for fixed periods is recognised on a straight line basis over the respective periods. Other telecommunications revenue is recognised when products are delivered or services are rendered.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when bleaching, dyeing and knitting services are rendered.

Commission income is recognised when services are provided.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Plant and machinery	9% to 18%
Furniture, fixtures and equipment	9% to 30%
Motor vehicles	9% to 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity, which are held-to-maturity debt securities, are measured at amortised cost less any identified impairment losses. Any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments, as appropriate.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment losses.

Other investments are measured at fair value, with unrealised gains and losses included in the profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are included in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Retirement benefits costs

The amount of the Group's contributions payable under the Group's retirement benefits schemes is charged to the income statement as and when incurred.

5. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns, and services rendered by the Group during the year/period. An analysis of the Group's turnover is as follows:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Bleaching and dyeing		
- sales of goods	**43,908**	—
- service income	**9,310**	—
	53,218	—
Knitting services	**444**	—
Wireless communication services	**—**	3,982
Communication solutions consultancy services	**—**	1,101
	53,662	5,083

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four main operating divisions -bleaching and dyeing, knitting, wireless communication business and communication solutions consultancy services. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2005

(i) Income statement

	Bleaching and dyeing HK$'000	Knitting HK$'000	Wireless communication business HK$'000	Communication solutions consultancy services HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover						
External	53,218	444	—	—	—	53,662
Inter-segment	—	2,945	—	—	(2,945)	—
Total	53,218	3,389	—	—	(2,945)	53,662
Segment result	4,095	(2,370)	56	(11)	—	1,770
Interest income						45
Unallocated corporate expenses						(4,329)
Loss from operations						(2,514)
Gain on disposal of subsidiaries						9,042
Finance costs						(424)
Net profit for the year						6,104

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - *continued*

Business segments - *continued*

For the year ended 31 March 2005 - *continued*

(ii) Balance sheet

	Bleaching and dyeing HK$'000	Knitting HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	71,022	11,747	82,769
Unallocated corporate assets			36,898
Consolidated total assets			119,667
LIABILITIES			
Segment liabilities	8,225	306	8,531
Unallocated corporate liabilities			47,115
Consolidated total liabilities			55,646

(iii) Other information

	Bleaching and dyeing HK$'000	Knitting HK$'000	Wireless communication business HK$'000	Communication solutions consultancy services HK$'000	Consolidated HK$'000
Addition of goodwill	23,042	—	—	—	23,042
Amortisation of goodwill	1,920	—	—	—	1,920
Capital additions	84	11,695	—	—	11,779
Depreciation	1,717	1,011	6	10	2,744
Allowance for inventories	94	—	—	—	94
Write back of allowance for doubtful debts	—	—	(17)	—	(17)

In addition, allowance for a loan to Acme Landis Operations Holdings Limited ("ALOH"), a former subsidiary of the Company, amounting to HK$403,000 charged to the consolidated income statement is related to the segments of sanitary fixtures and fittings, hardware, industrial and consumer products, and drainage, plumbing and engineering contracting services, the businesses of which were discontinued by the Group in 2002.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - *continued*

Business segments - *continued*

For the fifteen months ended 31 March 2004

(i) Income statement

	Wireless communication business HK$'000	Communication solutions consultancy services HK$'000	Internet operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover	3,982	1,101	—	—	5,083
Segment result	(31,873)	(2,856)	(304)	—	(35,033)
Interest income					70
Allowance for amounts due from associates	(317)				(317)
Unallocated corporate expenses					(19,882)
Loss from operations					(55,162)
Loss on disposal of subsidiaries					(539)
Finance costs					(1,960)
Share of results of an associate			(4)		(4)
Share of results of jointly controlled entities	(72)				(72)
Net loss for the period					(57,737)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - *continued*

Business segments - *continued*

For the fifteen months ended 31 March 2004 - *continued*

(ii) Balance sheet

	Wireless communication business HK$'000	Communication solutions consultancy services HK$'000	Internet operations HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	76	59	2	137
Unallocated corporate assets				68,997
Consolidated total assets				69,134
LIABILITIES				
Segment liabilities	3,189	558	80	3,827
Unallocated corporate liabilities				7,242
Consolidated total liabilities				11,069

(iii) Other information

	Wireless communication business HK$'000	Communication solutions consultancy services HK$'000	Internet operations HK$'000	Consolidated HK$'000
Capital additions	12,125	—	—	12,125
Depreciation	5,863	434	198	6,495
Impairment loss in respect of property, plant and equipment	9,971	—	—	9,971
Impairment loss in respect of long term investments	3,900	—	—	3,900
Allowance for doubtful debts	1,045	110	—	1,155
Allowance for amounts due from associates	317	—	—	317
Impairment loss in respect of goodwill of subsidiaries	104	388	—	492
Loss (gain) on disposal of property, plant and equipment	323	58	(2)	379

In addition, allowance for a loan to ALOH, a former subsidiary of the Company, amounting to HK$3,297,000 charged to the consolidated income statement is related to the segments of sanitary fixtures and fittings, hardware, industrial and consumer products, and drainage, plumbing and engineering contracting services, the business of which were discontinued by the Group in 2002.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - *continued*

Geographical segments

An analysis of the Group's turnover by geographical market for the year/period is as follows:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Hong Kong	—	5,083
The People's Republic of China, excluding Hong Kong (the "PRC")	53,662	—
	53,662	5,083

An analysis of the carrying amount of segment assets and additions to property, plant and equipment and goodwill, analysed by the geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment and goodwill	
	31.3.2005 HK$'000	31.3.2004 HK$'000	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Hong Kong	11,718	67,425	—	12,229
PRC	107,949	1,709	34,821	—
	119,667	69,134	34,821	12,229

7. OTHER OPERATING INCOME

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
An analysis of the Group's other operating income is as follows:		
Interest income	45	70
Commission income	—	471
Others	220	168
	265	709

8. LOSS FROM OPERATIONS

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration *(note 10(a))*	**253**	868
Other staff costs, including retirement benefits costs	**4,868**	11,869
Total staff costs	**5,121**	12,737
Allowance for inventories	**94**	—
Amortisation of goodwill *(note)*	**1,920**	—
Auditors' remuneration	**545**	350
Cost of inventories recognised as an expense	**32,345**	378
Depreciation	**2,744**	6,495
Impairment loss recognised in respect of goodwill of subsidiaries *(note)*	**—**	492
Loss on disposal of property, plant and equipment	**—**	379
Loss on waiver of amount due from a minority shareholder of a subsidiary *(note)*	**—**	117
Loss on waiver of loan to a jointly controlled entity *(note)*	**—**	7

Note: The amounts are included in other operating expenses.

9. FINANCE COSTS

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Interest on borrowings wholly repayable within five years:		
- loan of HK$30,270,000 from Planetic International Limited (the "Easyknit Loan"), a wholly-owned subsidiary of Easyknit *(note 13(e))*	**—**	1,515
- bank borrowings	**339**	—
- other borrowings	**85**	445
	424	1,960

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Directors' fees:		
Executive	**—**	—
Independent non-executive	**253**	200
	253	200
Other emoluments paid to executive directors:		
Salaries and other benefits	**—**	664
Retirement benefits costs	**—**	4
	—	668
Total directors' emoluments	**253**	868

The emoluments of the directors fall within the following band:

	Number of directors	
	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
Nil to HK$1,000,000	**6**	15

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - *continued*

(b) Information regarding employees' emoluments

The five highest paid individuals of the Group did not include any director (1.1.2003 to 31.3.2004: included one director). The emoluments of the five (1.1.2003 to 31.3.2004: four) highest paid individuals, not being directors, are as follows:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Salaries and other benefits	**1,175**	4,028
Retirement benefits costs	**47**	62
Severance payments	**—**	37
Total employees' emoluments	**1,222**	4,127

Their emoluments were within the following bands:

	Number of employees	
	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
Nil to HK$1,000,000	**5**	3
HK$1,000,001 to HK$1,500,000	**—**	1
	5	4

During the year/period, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss in office. In addition, during both periods, no director waived any emoluments.

11. TAXATION

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for the year ended 31 March 2005 and for the fifteen months ended 31 March 2004.

The tax charge (credit) for the year/period can be reconciled to the results per the consolidated income statement as follows:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Net profit (loss) for the year/period	**6,104**	(57,737)
Tax charge (credit) of Hong Kong Profits Tax at 17.5% (1.1.2003 to 31.3.2004: 17.5%)	**1,068**	(10,104)
Tax effect of share of results of associates	**—**	1
Tax effect of share of results of jointly controlled entities	**—**	13
Tax effect of income not taxable for tax purposes	**(1,654)**	(22)
Tax effect of expenses not deductible for tax purposes	**818**	3,575
Tax effect attributable to tax exemption granted to a PRC subsidiary	**(1,276)**	—
Tax effect of tax losses not recognised	**885**	5,929
Others	**159**	608
Taxation for the year/period	**—**	—

Pursuant to Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, the Company's subsidiaries are entitled to preferential tax treatment with full exemption from PRC enterprise income tax for two years starting from the first profitable year of operations, after offsetting all tax losses brought forward from the previous years (for a maximum period of five years), followed by a 50% reduction in tax rate for the next three years.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Profit (loss) for the purposes of basic earnings (loss) per share	6,104	(57,737)

	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
Number of shares		
Number/weighted average number of shares for the purposes of basic earnings (loss) per share	357,006,840	59,376,993

The denominator for the purposes of calculating basic loss per share for the fifteen months ended 31 March 2004 has been adjusted to reflect the consolidation of shares in September 2003 on the basis that forty shares were consolidated into one share and the rights issue of shares in September 2003 and March 2004.

No diluted earnings per share has been presented for the year ended 31 March 2005 as the exercise prices of the Company's outstanding share options were higher than the average market price for the year.

No diluted loss per share was presented for the fifteen months ended 31 March 2004 as the exercise of the Company's outstanding share options would reduce the loss per share for that period.

13. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

(a) During the year/period, the Group had the following transactions carried out at prices determined by reference to market prices for similar transactions with related parties/persons deemed to be "connected persons" by the Stock Exchange, being entities controlled by certain relatives of Mr. Koon Wing Yee and his spouse, Ms. Lui Yuk Chu, both of whom are directors of the Company:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Sales of bleached and dyed fabrics	**23,647**	—
Bleaching and dyeing charges received	**167**	—

At the balance sheet date, amounts due from the above entities comprise:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Trade receivables	**5,809**	—

(b) During the year, the Group received administrative services from Easyknit International Trading Company Limited ("EITC"), a company in which Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu, all are directors of the Company, have beneficial interests and paid services fee of approximately HK$241,000 (1.1.2003 to 31.3.2004: nil). The services fee is determined based on mutually agreed terms.

(c) The Group purchased the entire issued shares of Po Cheong International Enterprises Limited ("Po Cheong") from a wholly-owned subsidiary of Easyknit at a consideration of HK$65,000,000 (note 29), subject to adjustment, as described in the circular of the Company dated 23 April 2004. Po Cheong, together with its subsidiary, is principally engaged in the business of bleaching and dyeing. The acquisition of Po Cheong constituted a major and connected transaction of the Group and was approved by the shareholders at the special general meeting of the Company held on 10 May 2004. The consideration for the acquisition has been subsequently adjusted downwards to HK$38,880,000 on 16 June 2005.

(d) During the year, a director of the Company provided a personal guarantee for HK$55,000,000 to a bank in respect of general banking facilities granted to a wholly-owned subsidiary of the Company.

(e) During the fifteen months ended 31 March 2004, the Group obtained the Easyknit Loan for working capital purposes. The loan was unsecured, bore interest at prevailing market rates and was repaid in full during the fifteen months ended 31 March 2004. Interest paid by the Group during the fifteen months ended 31 March 2004 amounted to HK$1,514,500.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP				
COST				
At 1 April 2004	—	27,808	539	28,347
Additions	10,369	1,044	366	11,779
On acquisition of subsidiaries	12,339	1,422	768	14,529
On disposal of subsidiaries	—	(27,792)	(539)	(28,331)
Disposals	—	(15)	—	(15)
At 31 March 2005	22,708	2,467	1,134	26,309
DEPRECIATION AND IMPAIRMENT LOSS				
At 1 April 2004	—	27,376	306	27,682
Provided for the year	1,945	606	193	2,744
On disposal of subsidiaries	—	(27,430)	(333)	(27,763)
Eliminated on disposals	—	(15)	—	(15)
At 31 March 2005	1,945	537	166	2,648
NET BOOK VALUES				
At 31 March 2005	20,763	1,930	968	23,661
At 31 March 2004	—	432	233	665

15. GOODWILL

	THE GROUP HK$'000
COST	
At 1 April 2004	589
On acquisition of subsidiaries	23,042
On disposal of subsidiaries	(589)
At 31 March 2005	23,042
AMORTISATION AND IMPAIRMENT LOSS	
At 1 April 2004	589
Provided for the year	1,920
On disposal of subsidiaries	(589)
At 31 March 2005	1,920
CARRYING AMOUNTS	
At 31 March 2005	21,122
At 31 March 2004	—

Goodwill is amortised over ten years.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**334,470**	334,470
Less: Impairment loss recognised	**(334,470)**	(334,470)
	—	—
Amounts due from subsidiaries	**61,626**	2,116
	61,626	2,116

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, repayment of the amounts will not be demanded by the Company within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets in the balance sheet.

16. INTERESTS IN SUBSIDIARIES - *continued*

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

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share/ registered capital/stated capital	Proportion of nominal value of issued share capital/ registered capital/ stated capital held by the Company Directly	Indirectly	Principal activities
Copplestone Limited	Cayman Islands/ Hong Kong	Ordinary US$42,880,770	100%	—	Investment holding
Easyknit (Mauritius) Limited	Republic of Mauritius/ Hong Kong	Stated US$1	100%	—	Investment holding
Good Fine Technology Limited	Hong Kong	Ordinary HK$2	—	100%	Wireless communication business, communication solutions consultancy services and Internet operations
Po Cheong International Enterprises Limited	Hong Kong	Ordinary HK$90	—	100%	Investment holding
Tat Cheong International (HK) Limited	Hong Kong	Ordinary HK$2	—	100%	Investment holding
東莞永耀漂染有限公司 ("Wing Yiu")*	PRC	Registered HK$11,260,000	—	100%	Bleaching and dyeing
永義紡織（河源）有限公司 ("He Yuan")**	PRC	Registered US$1,000,000	—	100%	Knitting

Notes:

* Wing Yiu is a wholly foreign owned enterprise established in the PRC, to be operated for 10 years up to 20 August 2011.

** He Yuan is a wholly foreign owned enterprise established in the PRC, to be operated for 15 years up to 7 March 2019.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 March 2005.

17. LONG TERM INVESTMENTS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Investment securities:		
Unlisted equity investments, at cost	**—**	3,900
Less: Impairment loss recognised	**—**	(3,900)
	—	—

The investment securities were disposed of by the Group on disposal of subsidiaries during the year ended 31 March 2005.

18. LOAN TO ACME LANDIS OPERATIONS HOLDINGS LIMITED ("ALOH")

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Loan to ALOH	**45,815**	45,815
Less: Allowance	**(45,815)**	(45,412)
	—	403

The loan to ALOH is interest-free and has no fixed repayment terms. In the opinion of the directors, repayment of the loan due from ALOH is not probable. Accordingly, an allowance was made to reduce the carrying amount of the loan to zero at 31 March 2005.

19. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Raw materials	**4,097**	—
Work-in-progress	**391**	—
Finished goods	**158**	—
	4,646	—

At 31 March 2005, raw materials of HK$3,745,000 were carried at net realisable value.

20. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of up to 90 days to its customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
0 - 60 days	**7,150**	—
61 - 90 days	**3,398**	—
Over 90 days	**13,883**	—
Trade receivables	**24,431**	—
Other receivables	**1,335**	1,935
	25,766	1,935

21. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
0 - 60 days	**4,615**	—
61 - 90 days	**961**	—
Over 90 days	**277**	101
Trade payables	**5,853**	101
Other payables	**2,187**	6,968
	8,040	7,069

22. BILLS PAYABLE

At the balance sheet date, the bills payable is aged within 30 days.

23. BANK LOANS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
The bank loans are unsecured, bear interest at prevailing market rates and are repayable as follows:		
Within one year	**30,985**	—
Between one to two years	**5,985**	—
Between two to five years	**9,436**	—
	46,406	—
Less: Amount due within one year shown under current liabilities	**(30,985)**	—
Amount due after one year	**15,421**	—

An amount of HK$25,000,000 of the bank loans which are due within one year, is guaranteed personally by a director of the Company.

24. OTHER LOAN, SECURED

On 25 June 2004, the Group entered into a settlement agreement with the lender for the full settlement of the loan of HK$4,000,000 and accrued interest of HK$511,000 (up to the date of the agreement) by way of transferring all the issued shares of i100 Wireless Corporation, a wholly-owned subsidiary of the Company, to the lender. i100 Wireless Corporation and its subsidiaries are principally engaged in the wireless communication business (note 30).

25. SHARE CAPITAL

	Notes	**Nominal value per share**	**Number of shares**	**Amount**
		HK$		*HK$'000*
Authorised:				
At 1 January 2003		0.10	3,000,000,000	300,000
Effect of the First Reorganisation referred to below	(a)(i)		27,000,000,000	—
		0.01	30,000,000,000	300,000
Effect of the Share Consolidation referred to below	(b)		(29,250,000,000)	—
		0.40	750,000,000	300,000
Effect of the Second Reorganisation referred to below	(f)(i)		2,250,000,000	—
		0.10	3,000,000,000	300,000
Increase of authorised share capital	(f)(iii)		3,500,000,000	350,000
At 31 March 2004 and 31 March 2005		0.10	6,500,000,000	650,000
Issued and fully paid:				
At 1 January 2003		0.10	1,101,873,000	110,187
Reduction of share capital	(a)(ii)		—	(99,168)
		0.01	1,101,873,000	11,019
Effect of the Share Consolidation referred to below	(b)		(1,074,326,175)	—
		0.40	27,546,825	11,019
Rights issue of shares at a price of HK$1.00 per rights share	(c)	0.40	13,773,412	5,509
Issue of new shares by private placements	(d) & (e)	0.40	18,180,903	7,272
		0.40	59,501,140	23,800
Reduction of share capital	(f)(ii)		—	(17,850)
		0.10	59,501,140	5,950
Rights issue of shares at a price of HK$0.25 per rights share	(g)	0.10	297,505,700	29,751
At 31 March 2004 and 31 March 2005		0.10	357,006,840	35,701

25. SHARE CAPITAL - *continued*

Notes:

(a) In February 2003, the Company underwent a capital reorganisation (the "First Reorganisation"). Details of the First Reorganisation are set out in the circular dated 16 January 2003 issued by the Company.

At the special general meeting of the Company held on 7 February 2003, a special resolution approving the First Reorganisation was passed and the following capital reorganisation took effect on 10 February 2003:

(i) unissued shares of HK$0.10 each in the authorised share capital of the Company were subdivided into ten shares of HK$0.01 each;

(ii) nominal value of issued shares in the share capital of the Company was reduced from HK$0.10 each to HK$0.01 each (the "First Capital Reduction");

(iii) the entire amount of HK$255,030,000 standing to the credit of the share premium account of the Company was cancelled (the "Share Premium Cancellation"); and

(iv) the credit amounts arising from the First Capital Reduction and the Share Premium Cancellation were credited to the contributed surplus account of the Company where such amounts were utilised to eliminate the accumulated losses of the Company as at 31 December 2002 to the extent of HK$353,484,000.

(b) As announced by the Company on 1 August 2003, the Company proposed to effect a share consolidation pursuant to which every forty issued and unissued then existing shares of HK$0.01 each were consolidated into one consolidated share of HK$0.40 each ("Share Consolidation"). Details of the Share Consolidation are set out in the circular dated 20 August 2003 issued by the Company. The ordinary resolution approving the Share Consolidation was passed at the special general meeting of the Company held on 8 September 2003.

(c) Rights issue of 13,773,412 shares of HK$0.40 each at a subscription price of HK$1.00 per rights share were allotted on 25 September 2003 to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The net proceeds of the rights issue were used for general working capital purposes.

(d) As announced by the Company on 14 October 2003, the Company conditionally agreed to place through its placing agent, Get Nice Investment Limited, 8,264,047 new shares of HK$0.40 each in the capital of the Company (the "2003 First Placing Shares") at a price of HK$0.865 per share which represents a discount of approximately 19.9% to the closing price of HK$1.08 per share quoted on the Stock Exchange on 13 October 2003, being the last full trading day of the Company's shares prior to the date of the announcement.

The 2003 First Placing Shares were placed to not less than six placees. The placees and their respective ultimate beneficial owners are independent individuals, corporate and/or institutional investors who are not connected persons (as defined in the Listing Rules) of the Company. The placing agent is not a connected person (as defined in the Listing Rules) and does not own any shares of the Company. The 2003 First Placing Shares represented approximately 20.0% of the then existing issued capital of the Company and approximately 16.7% of the Company's then enlarged capital. The net proceeds from the placement amounted to approximately HK$6.9 million of which HK$5.0 million was used for the partial repayment of the Easyknit Loan and the balance as general working capital.

The placement was completed in November 2003.

25. SHARE CAPITAL - *continued*

Notes: - continued

(e) As announced by the Company on 27 November 2003, the Company conditionally agreed to place through its placing agent, Kingston Securities Limited, 9,916,856 new shares of HK$0.40 each in the capital of the Company (the "2003 Second Placing Shares") at a price of HK$0.865 per share which represents a discount of approximately 2.8% to the closing price of HK$0.89 per share quoted on the Stock Exchange on 21 November 2003, being the last full trading day of the Company's shares prior to the date of the announcement.

The 2003 Second Placing Shares were placed to not less than six placees. The placees and their respective ultimate beneficial owners are independent individuals, corporate and/or institutional investors who are not connected persons (as defined in the Listing Rules) of the Company. The placing agent is not a connected person (as defined in the Listing Rules) and does not own any shares of the Company. The 2003 Second Placing Shares represented approximately 20.0% of the then existing issued capital of the Company and approximately 16.7% of the Company's then enlarged capital. The net proceeds from the placement amounted to approximately HK$8.4 million of which HK$4.0 million was used for the further repayment of the Easyknit Loan and the balance as general working capital.

The placement was completed in December 2003.

(f) In March 2004, the Company underwent another capital reorganisation (the "Second Reorganisation"). Details of the Second Reorganisation are set out in the circular dated 10 February 2004 issued by the Company.

At the special general meeting of the Company held on 4 March 2004, resolutions approving the Second Reorganisation were passed and the following capital reorganisation took effect on 4 March 2004:

(i) unissued shares of HK$0.40 each in the authorised share capital of the Company were subdivided into four shares of HK$0.10 each;

(ii) nominal value of issued shares in the share capital of the Company was reduced from HK$0.40 each to HK$0.10 each (the "Second Capital Reduction");

(iii) authorised share capital of the Company was increased from HK$300,000,000 to HK$650,000,000 by the creation of an additional 3,500,000,000 shares of HK$0.10 each; and

(iv) the credit amount arising from the Second Capital Reduction was transferred to a capital reserve account of the Company where such amount may be applied in the future for distribution to the shareholders.

(g) Rights issue of 297,505,700 shares of HK$0.10 each at a subscription price of HK$0.25 per rights share were allotted on 24 March 2004 to the shareholders of the Company in the proportion of five rights shares for every share then held. The net proceeds of the rights issue amounted to approximately HK$73.2 million of which HK$21,270,000 was used for repayment of the balance of the Easyknit Loan, HK$50,000,000 for partial payment for the acquisition of the entire issued share capital of Po Cheong from a wholly-owned subsidiary of Easyknit, and for general working capital purposes.

All shares issued rank pari passu with the then existing shares in issue in all respects.

26. SHARE OPTION SCHEMES

(a) Share option schemes of the Company:

On 21 August 1991, the Company approved a share option scheme (the "1991 Share Option Scheme") which was terminated by an ordinary resolution of its shareholders at the annual general meeting held on 22 May 2001 but the subsisting options granted thereunder prior to its termination remain valid and exercisable in accordance with the terms of the 1991 Share Option Scheme.

On 22 May 2001, the Company approved a share option scheme (the "2001 Share Option Scheme") which was terminated by an ordinary resolution of its shareholders at the annual general meeting held on 6 June 2002 but the subsisting options granted thereunder prior to the termination remain valid and exercisable in accordance with the terms of the 2001 Share Option Scheme.

On 6 June 2002, a new share option scheme (the "2002 Share Option Scheme") was approved by the shareholders of the Company. Under the terms of the 2002 Share Option Scheme, the board of directors of the Company may, at its absolute discretion, offer options to any employee (full-time and part-time), director, supplier, consultant or advisor of any member of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. No share options have been granted under the 2002 Share Option Scheme since its adoption.

The purposes of the 2002 Share Option Scheme are to attract and retain the best available personnel, to provide additional incentives to eligible participants and to promote the success of the business of the Company and its subsidiaries.

The maximum number of shares which may be issued under the 2002 Share Option Scheme must not (when aggregate with any shares to be issued under any other share option schemes of the Company) exceed 10% of the shares in issue at the date of adoption of the 2002 Share Option Scheme.

The maximum number of shares issuable upon the exercise of the share options granted to each eligible participant of the 2002 Share Option 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 of the Company with such grantee and his associate(s) abstaining from voting.

The exercise period of the share options is determined by the board of directors of the Company and shall end on a date which is not later than 10 years from the date of the grant of the option. There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but its terms provide that the board of directors of the Company has the discretion to impose a minimum period at the time of offer of any particular option. The offer of a grant of share options may be accepted within 14 days from the date of the offer, with the payment of a nominal consideration of HK$1 in total by the offeree.

26. SHARE OPTION SCHEMES - *continued*

(a) Share option schemes of the Company: - *continued*

The exercise price in respect of any particular option of the 2002 Share Option Scheme may be determined by the board of directors of the Company in its absolute discretion and notified to each offeree but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; (ii) the average closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares on the date of offer.

The 2002 Share Option Scheme is valid during the period of 10 years commencing 6 June 2002, unless otherwise cancelled or amended.

A summary of the movements of the outstanding share options during the year ended 31 March 2005 is as follows:

					Number of share options		
Grantee	**Share option scheme**	**Date of grant**	**Exercise period**	**Exercise price** HK$ *(note iii)*	**At 1 April 2005**	**Lapsed during the year**	**At 31 March 2005**
Former employees	1991	2 August 2000	2 August 2001 to 1 August 2010 *(note i)*	3.333	45,000	(45,000)	—
	1991	26 March 2001	26 March 2002 to 25 March 2011 *(note i)*	1.711	56,250	(56,250)	—
	2001	31 August 2001	31 August 2002 to 30 August 2011 *(note i)*	1.792	238,050	(238,050)	—
	2001	31 August 2001	31 August 2001 to 30 August 2011 *(note ii)*	1.792	5,625,000	—	5,625,000
					5,964,300	(339,300)	5,625,000

26. SHARE OPTION SCHEMES - *continued*

(a) Share option schemes of the Company: - *continued*

A summary of the movements of the outstanding share options during the fifteen months ended 31 March 2004 is as follows:

					Number of share options (adjusted as appropriate)				
Grantee	Share option scheme	Date of grant	Exercise period	Exercise price HK$ *(note iii)*	At 1 January 2003	Reclassification	Adjustments*	Lapsed during the period	At 31 March 2004
Former director	2001	31 August 2001	31 August 2001 to 30 August 2011 *(note ii)*	0.4032	25,000,000	(25,000,000)	–	–	–
Former employees	1991	2 August 2000	2 August 2001 to 1 August 2010 *(note i)*	0.75	2,075,000	–	(245,000)	(1,830,000)	–
				20.00*	–	–	9,187	(1,687)	–
					–	–	(7,500)	–	–
				3.333*	–	–	45,000	–	45,000
	1991	6 October 2000	6 October 2001 to 5 October 2010 *(note i)*	0.47	290,000	–	–	(290,000)	–
	1991	26 March 2001	26 March 2002 to 25 March 2011 *(note i)*	0.385	3,775,000	–	(275,000)	(3,500,000)	–
				10.267*	–	–	10,312	(937)	–
					–	–	(9,375)	–	–
				1.711*	–	–	56,250	–	56,250
	2001	31 August 2001	31 August 2002 to 30 August 2011 *(note i)*	0.4032	7,068,000	–	(1,128,000)	(5,940,000)	–
				10.752*	–	–	42,300	(2,625)	–
					–	–	(39,675)	–	–
				1.792*	–	–	238,050	–	238,050
	2001	31 August 2001	31 August 2001 to 30 August 2011 *(note ii)*	0.4032	–	25,000,000	(25,000,000)	–	–
				10.752*	–	–	937,500	–	–
					–	–	(937,500)	–	–
				1.792*	–	–	5,625,000	–	5,625,000
					38,208,000	–	(20,678,451)	(11,565,249)	5,964,300

* The number of share options and the corresponding exercise price have been adjusted as a result of share consolidation and rights issue of shares of the Company during the fifteen months ended 31 March 2004.

26. SHARE OPTION SCHEMES - *continued*

(a) Share option schemes of the Company: - *continued*

Notes:

(i) The vesting period is the period of three years after the date of grant. One-third of the share options become exercisable after 12 months from the date of grant, and after the subsequent 18 months, 24 months, 30 months and 36 months from the date of grant, further one-sixth of the options become exercisable.

(ii) The vesting period is the period from the date of grant to six months after the date of grant. Half of the share options are exercisable from the date of grant and the remaining half becomes exercisable after 6 months from the date of grant.

(iii) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

No share options were granted, exercised or cancelled during both accounting periods.

(b) Share option schemes of subsidiaries:

(i) solution100 Corporation

On 22 May 2001, solution100 Corporation adopted a share option scheme under which options to subscribe for shares in the share capital of solution100 Corporation may be granted to the qualifying persons from time to time subject to the terms and conditions stipulated therein. No share options have been granted under the share option scheme of solution100 Corporation since its adoption.

solution100 Corporation ceased to be a subsidiary of the Company on 25 June 2004.

(ii) i100 Wireless Corporation

On 6 June 2002, i100 Wireless Corporation adopted a share option scheme pursuant to the then requirements of Chapter 17 of the Listing Rules and under which options to subscribe for shares in the share capital of i100 Wireless Corporation may be granted to the qualifying persons from time to time subject to the terms and conditions stipulated therein. No share options have been granted under the share option scheme of i100 Wireless Corporation since its adoption.

i100 Wireless Corporation ceased to be a subsidiary of the Company on 25 June 2004.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options in the year/period. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

27. RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	255,030	—	46,962	(408,157)	(106,165)
Premium arising from issue of new shares	61,344	—	—	—	61,344
Reduction of share capital and share premium upon capital reorganisations	(255,030)	17,850	354,198	—	117,018
Elimination of accumulated losses	—	—	(353,484)	353,484	—
Net loss for the period	—	—	—	(44,255)	(44,255)
At 31 March 2004	61,344	17,850	47,676	(98,928)	27,942
Net loss for the year	—	—	—	(1,978)	(1,978)
At 31 March 2005	61,344	17,850	47,676	(100,906)	25,964

The capital reserve of the Company represents the credit arising from the reduction of share capital of the Company in March 2004 and can be applied in the future for distribution to the shareholders.

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the fair value of the subsidiaries' shares acquired under the group reorganisation in August 1991 and the credit arising from the reduction of share capital of the Company in February 2003 which may then be utilised by the directors in accordance with the Company's Bye-laws and all applicable laws, including to eliminate the accumulated losses of the Company.

Under the laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company has no reserves available for distribution at 31 March 2005 and 2004.

28. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts due to subsidiaries were unsecured and non-interest bearing. The amounts were fully repaid during the year.

29. ACQUISITION OF SUBSIDIARIES/A SUBSIDIARY

On 17 May 2004, the Group acquired the entire issued shares of Po Cheong at a consideration of HK$65,000,000, subject to adjustment, as described in the circular of the Company dated 23 April 2004. Po Cheong, together with its subsidiary, is principally engaged in the business of bleaching and dyeing. Acquisition of the subsidiaries was accounted for by the acquisition method of accounting. The total consideration of HK$65,000,000 shall be satisfied in cash, of which HK$50,000,000 was paid on 13 May 2004. Details of the arrangement of the consideration should be referred to the circular and the adjustment was finalised on 16 June 2005 (see note 36). The revised consideration was determined to be HK$38,880,000 and accordingly, an amount of HK$11,120,000 was recognised as consideration receivable in the consolidated balance sheet.

During the fifteen months ended 31 March 2004, the Group acquired an additional interest of 45% of the issued share capital of Vector Entertainment Corporation ("Vector") for a cash consideration of approximately HK$1,000,000. Vector was previously a jointly controlled entity of the Group in which the Group had a 45% equity interest amounting to HK$954,000. Acquisition of the subsidiary was accounted for by the acquisition method of accounting.

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Net assets acquired:		
Property, plant and equipment	**14,529**	—
Inventories	**3,010**	—
Amounts due from shareholders	**—**	1,131
Trade and other receivables	**19,973**	—
Bank balances and cash	**423**	971
Trade and other payables	**(10,751)**	—
Bills payable	**(1,837)**	—
Bank loans	**(8,775)**	—
Minority interests	**—**	(209)
	16,572	1,893
Goodwill on acquisition	**23,042**	104
Total consideration	**39,614**	1,997

29. ACQUISITION OF SUBSIDIARIES/A SUBSIDIARY - *continued*

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Satisfied by:		
Cash paid	**38,880**	1,043
Expenses incurred in connection with acquisition	**734**	—
Reclassification of interest in a jointly controlled entity	**—**	954
	39,614	1,997
Net cash outflow arising on acquisition:		
Cash consideration paid	**(38,880)**	(1,043)
Expenses incurred in connection with acquisition	**(734)**	—
Bank balances and cash acquired	**423**	971
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiaries/a subsidiary	**(39,191)**	(72)

The subsidiaries acquired during the year contributed HK$53,218,000 to the Group's turnover and HK$6,018,000 to the Group's profit from operations.

30. DISPOSAL OF SUBSIDIARIES

In April 2004, the Group disposed of the entire issued shares in Photo2U Company Limited, a then wholly-owned subsidiary of the Company, for a cash consideration of HK$2. In addition, as referred to in note 23, the Group disposed of i100 Wireless Corporation to the lender of the other loan on 25 June 2004.

During the fifteen months ended 31 March 2004, the Group disposed of the entire issued shares in i100Onair Limited, a then wholly-owned subsidiary of the Company, for a cash consideration of US$1. In February 2004, the Group also disposed of the entire issued shares of Golden Throne Holdings Limited and Rainer Capital Limited which were then wholly-owned subsidiaries of the Company for a cash consideration of HK$10.

The effect of the disposal is summarised as follows:

	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Net liabilities released/assets disposed of:		
Property, plant and equipment	**568**	387
Trade and other receivables	**286**	443
Bank balances and cash	**15**	115
Trade and other payables	**(5,207)**	(404)
Minority interests	**(209)**	—
	(4,547)	541
Exchange reserve realised on disposal of subsidiaries	**16**	(2)
Gain (loss) on disposal of subsidiaries	**9,042**	(539)
Total consideration	**4,511**	—
Satisfied by:		
Loan principal waived	**4,000**	—
Accrued interest thereof waived	**511**	—
	4,511	—
Net cash outflow arising on disposal:		
Bank balances and cash disposed of	**(15)**	(115)

The subsidiaries disposed of during the year did not have any significant impact on the results and cash flows of the Group.

31. DEFERRED TAXATION

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

	THE GROUP		
	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2003	359	(359)	—
(Credit) charge to income statement for the period	(389)	389	—
Effect of change in tax rate	34	(34)	—
At 31 March 2004	4	(4)	—
(Credit) charge to income statement for the year on disposal of subsidiaries	(4)	4	—
At 31 March 2005	—	—	—

At the balance sheet date, deductible temporary differences and tax losses not recognised in the financial statements were analysed into:

	THE GROUP	
	2005 HK$'000	2004 HK$'000
Tax losses	**11,968**	189,674
Others	**—**	2,179
	11,968	191,853

No deferred tax asset has been recognised in respect of such deductible temporary differences due to the unpredictability of future profit streams. The tax losses at 31 March 2005 may be carried forward indefinitely. The tax losses at 31 March 2004, which amounted to approximately HK$4,105,000, can only be carried forward for a maximum period of five years, other losses may be carried forward indefinitely.

At 31 March 2005 and 2004, the Company has unrecognised tax losses of approximately HK$7,544,000 and HK$5,205,000 respectively. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

32. CONTINGENT LIABILITIES

At 31 March 2005, the Company has given unlimited corporate guarantee to banks in respect of general banking facilities granted to its subsidiaries (2004: nil).

33. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
- acquisition of land use rights	**9,538**	—
- construction of plants	**19,080**	—
- acquisition of property, plant and equipment	**—**	9,923
- acquisition of the entire issued shares of Po Cheong	**—**	65,000
- capital injection for interests in a jointly controlled entity and a non wholly-owned subsidiary	**20,904**	20,904
	49,522	95,827

The Company had no significant capital commitments at the balance sheet date.

34. OPERATING LEASE ARRANGEMENTS

	THE GROUP	
	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
	HK$'000	HK$'000
Minimum lease payments recognised in the consolidated income statement during the year/period	**1,097**	1,855

34. OPERATING LEASE ARRANGEMENTS - *continued*

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Within one year	**1,376**	654
In the second to fifth year inclusive	**5,470**	1,695
Over five years	**3,246**	2,870
	10,092	5,219

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for lease terms ranging from two to ten years.

Under the leases entered into by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments.

The Company had no significant lease commitments at the balance sheet date.

35. RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Prior to the MPF Scheme becoming effective, the Group operates a defined contribution retirement benefits scheme (the "ORSO Scheme") under the Occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group operates both schemes and those employees who are not eligible to participate in the ORSO Scheme are eligible to participate in the MPF Scheme.

The assets of both schemes are held separately from those of the Group in independently administered funds.

Employees of the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

35. RETIREMENT BENEFITS SCHEMES - *continued*

There were no forfeited contributions utilised to offset employers' contributions for the period/year. The employers' contributions which have been dealt with in the income statement of the Group were as follows:

	THE GROUP	
	1.4.2004 to 31.3.2005 HK$'000	1.1.2003 to 31.3.2004 HK$'000
Employers' contributions charged to the consolidated income statement	**87**	410

At the balance sheet date, there was no forfeited contributions available to reduce the contributions payable in the future years.

36. POST BALANCE SHEET EVENT

On 16 June 2005, the Company announced that the consideration of the acquisition of the entire issued shares of Po Cheong from EITC, a wholly-owned subsidiary of Easyknit, was adjusted downwards from the original amount of HK$65,000,000 to HK$38,880,000 based on the adjustment mechanism as described in the circular of the Company dated 23 April 2004. According to the adjustment mechanism, when seven times of the audited consolidated results of the Po Cheong group is less than HK$65,000,000, the consideration of the acquisition shall be adjusted downwards by the amount of such shortfall. As a result, instead of receiving the balance of the consideration of HK$15,000,000, EITC shall compensate Best Ability Limited, a wholly-owned subsidiary of the Company for an amount of HK$11,120,000. The adjusting post balance sheet event has already been reflected in the consolidated financial statements of the Company for the year ended 31 March 2005.