1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ('HKSA'). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ('SSAP') issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

Adopting the above SSAPs has no material effect on the Group's prior year accounts other than making certain presentation changes as a result of the adoption of SSAP 1 (revised) and SSAP 15 (revised).

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Subsidiaries established in the PRC adopt 31st December as their accounting year end date pursuant to local reporting regulations. Accordingly, the management accounts of these subsidiaries as at and for the twelve months ended 31st March have been incorporated in the consolidated accounts after making adjustments as the directors considered appropriate for compliance with accounting principles generally accepted in Hong Kong.

1. Principal Accounting Policies *(continued)*

(b) Consolidation *(continued)*

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve or exchange differences which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Intangible assets

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation of trademarks is calculated to write off their costs on a straight-line basis over a period of 15 years.

(d) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the consolidated profit and loss account. Any subsequent increases are credited to the consolidated profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining term of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised, if any, in respect of previous valuations is released from the investment properties revaluation reserve to the consolidated profit and loss account.

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(ii) *Leasehold land and buildings*

Leasehold land and buildings other than investment properties are stated at cost less accumulated amortisation or depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

(iii) *Amortisation of leasehold land*

Amortisation of leasehold land other than investment properties is calculated to write off its cost over the unexpired period of the lease on a straight-line basis. The principal annual rate used for this purpose is 2%.

(iv) *Depreciation of leasehold buildings*

Depreciation of leasehold buildings other than investment properties is calculated to write off their cost over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 2%.

(v) *Leasehold improvements and other tangible fixed assets*

Leasehold improvements and other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of leasehold improvements and other tangible fixed assets is calculated to write off their cost over their expected useful lives to the Group on a reducing balance basis. The principal annual rates are as follows:

Leasehold improvements	10–15%
Furniture and fixtures	10–15%
Machinery, equipment and tools	10–15%
Motor vehicles	10–15%
Office and computer equipment	10–33%

(vi) *Impairment of fixed assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

(vii) *Gain or loss on disposal of fixed assets*

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(viii) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(e) Assets under leases

(i) Finance leases

Leases or hire purchase contracts that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate of return on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current liabilities or long-term liabilities, as appropriate, as obligations under finance leases. The finance charges are charged to the consolidated profit and loss account over the lease or hire purchase periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight-line basis over the lease term.

(f) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the consolidated profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the consolidated profit and loss account as they arise.

(g) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value.

Cost, calculated on the weighted average basis, comprises direct materials, shipment costs and subcontracting expenses.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1. Principal Accounting Policies *(continued)*

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The balance sheet of subsidiaries and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising are dealt with as a movement in reserves. Upon disposal of a foreign enterprise, the related cumulative exchange difference is included in the consolidated profit and loss account as part of the gain or loss on disposal.

In prior years, the profit and loss accounts of foreign enterprises were translated at closing rates. This is a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdrafts, trust receipt and other bank loans repayable less than three months from the date of advance.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1. Principal Accounting Policies *(continued)*

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

(n) Employee benefits

The Group continues to operate an occupational retirement scheme which has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the scheme, both the employers and employees are required to contribute an amount equal to 5% of the basic salary on a monthly basis. The Group's contributions to the scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Besides, the Group continues to operate a mandatory provident fund scheme ('the MPF Scheme') under which both the Group and staff are required to contribute 5% (subject to an aggregate maximum of HK$2,000 per month) of the employees' relevant income. Contributions from the employer are 100% vested in the employees as soon as they are paid to the MPF Scheme.

Contributions for the above schemes are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

(o) Borrowing costs

All borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred unless borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

1. Principal Accounting Policies *(continued)*

(p) Segment reporting *(continued)*

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude trading securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets *(note 12)*.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. The assets and capital expenditure are where the assets are located.

(q) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Income from sample sales is recognised when samples are approved by customers.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

2. Turnover, Revenue and Segment Information

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments during the year. In December, 2001, the Group entered into a license agreement with an international sports brand owner under which the Group is granted the right to manufacture and distribute products under the brand. The Group commenced the licensee business in September, 2002.

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**258,701**	238,564
Other revenues		
Income from sample sales	**183**	77
Interest income	**3,131**	680
Rental income	**1,731**	1,162
	5,045	1,919
Total revenues	**263,746**	240,483

2. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format — business segments

	Year ended 31st March, 2003 HK$'000			
	Sales of outerwear garments	**E-business**	**Other operations**	**Total**
Turnover	258,701	—	—	**258,701**
Segment operating profit/(loss)	(1,105)	(35)	750	**(390)**
Interest income	3,126		5	**3,131**
Unallocated costs				**1,000**
Operating profit				**3,741**
Finance costs				**(2,661)**
Profit before taxation				**1,080**
Taxation credit				**4**
Profit after taxation				**1,084**
Minority interests				**578**
Profit attributable to shareholders				**1,662**
Segment assets	77,226	—	11,808	**89,034**
Unallocated assets				**1,419**
Total assets				**90,453**
Segment liabilities	10,162	—	320	**10,482**
Unallocated liabilities				**13,167**
Total liabilities				**23,649**
Capital expenditure	1,784	—	—	**1,784**
Depreciation	1,944	—	—	**1,944**
Amortisation charge	168	—	—	**168**
Other significant non-cash expenses other than depreciation and amortisation	—	—	—	**—**

(a) During the year, the Group discontinued the operations of e-business.

(b) Other operations mainly represent the operating activities of investment properties.

2. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format — business segments *(continued)*

	Year ended 31st March, 2002 HK$'000			
	Sales of outerwear garments	E-business	Other operations	Total
Turnover	238,564	—	—	238,564
Segment operating loss	(27,450)	(2,722)	(440)	(30,612)
Interest income	678	—	2	680
Unallocated costs				(114)
Operating loss				(30,046)
Finance costs				(4,469)
Share of profit of a jointly controlled entity				150
Loss before taxation				(34,365)
Taxation credit				473
Loss attributable to shareholders				(33,892)
Segment assets	101,221	—	11,948	113,169
Unallocated assets				2,146
Total assets				115,315
Segment liabilities	24,390	—	556	24,946
Unallocated liabilities				25,430
Total liabilities				50,376
Capital expenditure	3,980	57	91	4,128
Depreciation	1,980	9	—	1,989
Amortisation charge	166	—	—	166
Other significant non-cash expenses other than depreciation and amortisation	18,896	—	—	18,896

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

2. Turnover, Revenue and Segment Information *(continued)*

Secondary reporting format — geographical segments

	Year ended 31st March, 2003 HK$'000			
	Turnover	**Segment operating profit/(loss)**	**Total assets**	**Capital expenditure**
United States of America	219,260	(370)	3,647	—
Europe	19,372	(9)	1,081	—
Canada	14,204	(8)	—	—
Hong Kong	93	—	69,735	830
PRC	997	(1)	15,955	954
Others	4,775	(2)	35	—
	258,701	(390)	90,453	1,784
Interest income		3,131		
Unallocated costs		1,000		
Operating profit		3,741		

	Year ended 31st March, 2002 HK$'000			
	Turnover	Segment operating profit/(loss)	Total assets	Capital expenditure
United States of America	200,242	(25,681)	12,245	—
Europe	17,439	(1,778)	—	—
Canada	16,116	(1,140)	—	—
Hong Kong	961	(1,823)	97,280	1,585
Others	3,806	(190)	5,790	2,543
	238,564	(30,612)	115,315	4,128
Interest income		680		
Unallocated costs		(114)		
Operating loss		(30,046)		

There are no sales between the geographical segments.

3. Operating Profit/(Loss)

Operating profit/(loss) is stated after charging the following:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Charging		
Amortisation of trademarks	**168**	166
Auditors' remuneration	**755**	608
Depreciation		
Owned fixed assets	**1,709**	1,956
Leased fixed assets	**235**	33
Net exchange losses	**853**	7
Net loss on disposal of fixed assets	**510**	224
Staff costs, including directors' emoluments *(note 4)*	**21,025**	22,528
Operating leases		
Land and buildings	**3,254**	2,063
Hire of machinery and equipment	**32**	116
Outgoings in respect of investment properties	**122**	124
Write-off of/provision for bad and doubtful debts	**1,961**	1,726
Provision for obsolete inventories	**62**	117
Revaluation deficit on investment properties	**—**	304
Unrealised losses on trading securities	**915**	534
Loss on disposal of trading securities	**8**	—

4. Staff Costs

	Group	
	2003	2002
	HK$'000	*HK$'000*
Wages and salaries	**11,967**	12,809
Pension costs — defined contribution plans	**330**	329
Total staff costs, excluding directors' emoluments	**12,297**	13,138

5. Finance Costs

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**2,614**	4,224
Interest element of finance leases wholly repayable within five years	**47**	181
Other incidental borrowing costs	**—**	64
Total borrowing costs incurred	**2,661**	4,469

There were no borrowing costs capitalised during the years ended 31st March, 2003 and 2002.

6. Taxation Credit

(a) The amount of taxation credited to the consolidated profit and loss account represents:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current tax *(note 6(a)(i))*	**—**	(12)
Over provision in previous years	**13**	370
Transfer from deferred taxation account *(note 6(b))*	**141**	85
Overseas taxation		
Current tax *(note 6(a)(ii))*	**(151)**	(40)
Over provision in previous years	**1**	70
	4	473

(i) No provision for Hong Kong profits tax has been made in the accounts as the Group does not have assessable income for the year.

(ii) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. Taxation Credit *(continued)*

(b) The amount of deferred taxation represents:

	Group			
	2003		2002	
	Full potential assets	**Amount recognised**	Full potential assets	Amount recognised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Accelerated depreciation allowances	**590**	**—**	243	(141)
Tax losses	**6,705**	**—**	6,116	—
	7,295	**—**	6,359	(141)

A potential deferred tax asset, which represents mainly timing difference arising from tax losses to be carried forward, has not been recognised in the accounts as, in the opinion of the directors, it is uncertain that such asset will be realised in the foreseeable future. At 31st March, 2003, the potential deferred tax asset amounted to approximately HK$6,705,000 (2002: HK$6,116,000).

Movements in the provision for deferred taxation are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
At 1st April	**141**	226
Transfer to profit and loss account *(note 6(a))*	**(141)**	(85)
At 31st March	**—**	141

7. Profit/(Loss) Attributable to Shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$35,370,000 (2002: loss of HK$10,749,000).

8. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK$1,662,000 (2002: loss of HK$33,892,000).

The basic earnings/(loss) per share is based on the weighted average number of 389,500,000 (2002: 392,924,658) ordinary shares in issue during the year. No diluted earnings/(loss) per share is presented as there are no dilutive potential ordinary shares for the years ended 31st March, 2003 and 2002.

9. Retirement Benefit Costs

The retirement benefit costs charged to the consolidated profit and loss account represent gross contributions payable by the Group to the retirement scheme of HK$450,000 (2002: HK$524,000) less forfeited contributions utilised of HK$92,000 (2002: HK$114,000). Contributions of HK$28,000 (2002: HK$81,000) were payable to the scheme at the year end and are included in current liabilities under accrued charges. As at 31st March, 2003, there were unutilised forfeited contributions of HK$8,300 (2002: HK$12,000).

10. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees	**420**	360
Other emoluments		
Basic salaries and housing benefits	**8,280**	8,949
Contributions to defined contributions scheme	**28**	81
	8,728	9,390

Directors' fees disclosed above represent amounts paid to the non-executive directors.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Emolument bands		
HK$Nil — HK$1,000,000	**4**	2
HK$1,000,001 — HK$1,500,000	**—**	1
HK$3,500,001 — HK$4,000,000	**1**	2
HK$4,000,001 — HK$4,500,000	**1**	—
	6	5

10. Directors' and Senior Management's Emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2002: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2002: two) individuals during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Basic salaries	**1,461**	1,220
Bonuses	**208**	163
Pensions	**70**	44
	1,739	1,427

The emoluments of each of the three individuals (2002: two) were below HK$1,000,000 (2002: HK$1,000,000).

11. Intangible Assets

	Group	
	2003	2002
	HK$'000	*HK$'000*
Trademarks		
Cost		
At 1st April	**2,499**	2,495
Exchange difference	**20**	4
At 31st March	**2,519**	2,499
Accumulated amortisation		
At 1st April	**1,674**	1,505
Amortisation for the year	**168**	166
Exchange difference	**12**	3
At 31st March	**1,854**	1,674
Net book value at 31st March	**665**	825

12. Fixed Assets

	Group							
	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery, equipment and tools HK$'000	Motor vehicles HK$'000	Office and computer equipment HK$'000	Total HK$'000
Cost or valuation								
At 1st April, 2002	11,500	40,583	2,722	4,637	320	4,583	9,806	74,151
Additions	—	—	345	301	102	722	314	1,784
Disposals	—	—	—	(108)	—	(1,955)	(741)	(2,804)
At 31st March, 2003	11,500	40,583	3,067	4,830	422	3,350	9,379	73,131
At cost	—	40,583	3,067	4,830	422	3,350	9,379	61,631
At valuation	11,500	—	—	—	—	—	—	11,500
	11,500	40,583	3,067	4,830	422	3,350	9,379	73,131
Accumulated depreciation and impairment :								
At 1st April, 2002	—	23,141	1,537	3,220	213	1,988	7,282	37,381
Charge for the year	—	384	239	235	25	415	646	1,944
Disposals	—	—	—	(83)	—	(1,468)	(653)	(2,204)
At 31st March, 2003	—	23,525	1,776	3,372	238	935	7,275	37,121
Net book value								
At 31st March, 2003	**11,500**	**17,058**	**1,291**	**1,458**	**184**	**2,415**	**2,104**	**36,010**
At 31st March, 2002	11,500	17,442	1,185	1,417	107	2,595	2,524	36,770

(a) The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	**26,343**	26,681
Outside Hong Kong, held on:		
Leases of over 50 years	**2,215**	2,261
	28,558	28,942

12. Fixed Assets *(continued)*

(b) Investment properties were revalued as at 31st March, 2003 on the basis of their open market value by Jones Lang LaSalle Limited, an independent firm of chartered surveyors.

(c) As at 31st March, 2003 and 2002, the investment properties and leasehold land and buildings in Hong Kong were charged to a bank to secure banking facilities granted to the Group *(note 21)*.

(d) As at 31st March, 2003, the net book value of fixed assets held by the Group under finance leases amounted to HK$1,594,000 (2002: HK$1,279,000).

13. Investments in Subsidiaries

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**68,192**	68,725
Amounts due from subsidiaries *(note 13(b))*	**79,509**	83,068
	147,701	151,793
Less: provision for diminution in value	**(71,596)**	(41,858)
	76,105	109,935

(a) Particulars of the Company's principal subsidiaries are set out in note 25 to the accounts.

(b) The amounts due from subsidiaries are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

14. Inventories

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**464**	5,674
Work in progress	**616**	2,186
Finished goods	**5,486**	6,398
	6,566	14,258

At 31st March, 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK$3,682,000 (2002: HK$4,167,000). The inventories are stated after a provision of HK$2,563,000 (2002: HK$2,050,000).

15. Trade Receivables

(a) At 31st March, 2003, the ageing analysis of the trade receivables was as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Below 1 month	**654**	6,581
1 to 3 months	**574**	15
4 to 6 months	**352**	16
7 to 9 months	**10**	6
10 to 12 months	**1**	60
Over 1 year	**117**	121
	1,708	6,799
Less: Provision for bad and doubtful debts	**(99)**	(77)
	1,609	6,722

The majority of the Group's sales are on letter of credit. The remaining sales which were not covered by letter of credit are with credit terms of 30 days.

(b) As at 31st March, 2003, trade receivables included amounts totalling HK$922,000 (2002: HK$1,906,000) which were factored to a bank in the ordinary course of business.

16. Trade Payables

At 31st March, 2003, the ageing analysis of trade payables was as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Below 1 month	**377**	58
1 to 3 months	**53**	11
4 to 6 months	**317**	2
7 to 9 months	**124**	41
10 to 12 months	**504**	18
Over 1 year	**446**	385
	1,821	515

17. Share Capital

	Company Ordinary shares of HK$0.1 each			
	2003		2002	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Authorised:				
At 31st March, 2001, 31st March, 2002 and 31st March, 2003	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
At 1st April	**389,500,000**	**38,950**	396,000,000	39,600
Repurchase of shares	**—**	**—**	(6,500,000)	(650)
At 31st March	**389,500,000**	**38,950**	389,500,000	38,950

18. Reserves

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share premium				
At 1st April	**42,032**	46,022	**42,032**	46,022
Repurchase of shares	**—**	(3,990)	**—**	(3,990)
At 31st March	**42,032**	42,032	**42,032**	42,032
Contributed surplus *(note 18(a))*				
At 1st April and 31st March	**—**	—	**67,992**	67,992
Exchange fluctuation reserve				
At 1st April	**33**	95	**—**	—
Exchange difference arising on translation of the accounts of overseas subsidiaries	**(28)**	(8)	**—**	—
Exchange reserve realised in the consolidated profit and loss account upon liquidation of a jointly controlled entity	**—**	(54)	**—**	—
At 31st March	**5**	33	**—**	—
Reserve on consolidation *(note 18(c))*				
At 1st April	**3,214**	3,214	**—**	—
Written back upon deregistration of a subsidiary	**(1,000)**	—	**—**	—
At 31st March	**2,214**	3,214	**—**	—
(Accumulated losses)/retained profits				
At 1st April	**(19,290)**	14,602	**(37,334)**	(26,585)
Profit/(loss) attributable to shareholders	**1,662**	(33,892)	**(35,370)**	(10,749)
At 31st March	**(17,628)**	(19,290)	**(72,704)**	(37,334)
Total reserves	**26,623**	25,989	**37,320**	72,690

(a) The contributed surplus at 31st March, 2003, and 31st March, 2002 of HK$67,992,000 represents the excess of the consolidated net asset value of Takson (B.V.I.) Limited on its merger with the Company over the nominal value of the Company's shares issued in the exchange therefor. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to the shareholders, unless there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

18. Reserves *(continued)*

(b) As at 31st March, 2003 and 2002, the Group's accumulated losses are attributable to the Company and its subsidiaries.

(c) Reserve on consolidation arising from the exchange of shares on group reorganisation represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof.

19. Long-term Liabilities

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank loans — secured	**14,963**	23,088
Obligations under finance leases	**1,373**	1,233
Provision for long service payment *(note 19(a))*	**646**	—
Deferred taxation *(note 6(b))*	**—**	141
	16,982	24,462
Less: Current portion of long-term liabilities	**(11,469)**	(9,508)
	5,513	14,954

At 31st March, 2003 and 2002, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group			
	Secured bank loans		Obligations under finance leases	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**11,124**	9,240	**345**	268
In the second year	**3,839**	9,240	**349**	965
In the third to fifth year inclusive	**—**	4,608	**679**	—
	14,963	23,088	**1,373**	1,233

(a) The amount was provided for long service gratuity to employees with respect of the Group's obligations under the Hong Kong Employment Ordinance in certain specific circumstances.

20. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit/(loss) before taxation to net cash inflow generated from operations

	Group	
	2003	2002
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**1,080**	(34,365)
Amortisation of trademarks	**168**	166
Depreciation of owned fixed assets	**1,709**	1,956
Depreciation of fixed assets held under finance leases	**235**	33
Net loss on disposal of fixed assets	**510**	224
Revaluation deficit on investment properties	**—**	304
Write-off of textile quota deposits	**—**	18,896
Interest income	**(3,131)**	(680)
Interest on bank loans, overdrafts and other incidental borrowing costs	**2,614**	4,288
Interest element of finance leases	**47**	181
Share of profit of a jointly controlled entity	**—**	(150)
Written back of reserve upon deregistration of a subsidiary	**(1,000)**	—
Operating profit/(loss) before working capital changes	**2,232**	(9,147)
Decrease in inventories	**7,692**	4,860
Decrease in trade and other receivables, textile quota deposits and prepayments	**14,632**	27,898
Decrease/(increase) in trading securities	**2,025**	(2,025)
Decrease in trade payables and accrued charges	**(1,671)**	(2,609)
Effect of foreign exchange rate changes	**(37)**	(63)
Net cash inflow generated from operations	**24,873**	18,914

20. Notes to the Consolidated Cash Flow Statement *(continued)*

(b) Analysis of changes in financing during the year

	Group							
	Share capital including share premium		Bank loans		Finance leases		Minority interests	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Balance at 1st April	**80,982**	85,622	**25,308**	59,607	**1,233**	902	**—**	—
Inception of finance leases	**—**	—	**—**	—	**612**	1,204	**—**	—
Repurchase of shares	**—**	(4,640)	**—**	—	**—**	—	**—**	—
Share of loss of a subsidiary	**—**	—	**—**	—	**—**	—	**(578)**	—
Cash (outflow)/ inflow from financing	**—**	—	**(10,345)**	(34,299)	**(472)**	(873)	**1,809**	—
Balance at 31st March	**80,982**	80,982	**14,963**	25,308	**1,373**	1,233	**1,231**	—

(c) Analysis of the balances of cash and cash equivalents

	Group	
	2003	2002
	HK$'000	*HK$'000*
Cash and bank balances	**33,140**	34,682
Bank overdrafts — unsecured	**—**	(26)
Trust receipt and other bank loans	**—**	(14,801)
Bank loans — secured	**(14,963)**	(23,088)
Less: Trust receipt and other bank loans repayable more than three months from the date of advance	**14,963**	25,308
	33,140	22,075

(d) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$612,000 (2002: HK$1,204,000).

21. Banking Facilities

As at 31st March, 2003, the Group's banking facilities amounting to HK$192,074,000 (2002: HK$231,688,000) were secured by the following:

(a) charge on bank deposits of the Group amounting to HK$2,035,000 (2002: Nil);

(b) first legal charge over investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of HK$26,343,000 (2002: HK$26,681,000) *(note 12)*; and

(b) corporate guarantees from the Company and certain subsidiaries of the Group.

22. Contingent Liabilities

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2003 amounted to HK$15,977,000 (2002: HK$37,915,000).

23. Commitments

(a) Capital commitments

The Group had no capital commitments in respect of the acquisition of fixed assets (2002: HK$568,000).

(b) Commitments under operating leases

At 31st March, 2003, future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group				**Company**	
	2003		2002		**2003**	2002
	Land and buildings	**Others**	Land and buildings	Others	**Land and buildings**	Land and buildings
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**2,177**	**14**	1,313	14	**1,296**	1,050
Later than one year and not later than five years	**1,086**	**—**	56	—	**972**	—
	3,263	**14**	1,369	14	**2,268**	1,050

23. Commitments *(continued)*

(b) Commitments under operating leases *(continued)*

At 31st March, 2003, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**1,296**	2,001
Later than one year and not later than five years	**390**	769
	1,686	2,770

24. Ultimate Holding Company

The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

25. Particulars of Principal Subsidiaries

The principal subsidiaries of the Company at 31st March, 2003 are as follows:

Name	Country/ place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued share capital/ registered capital	Attributable equity interest
Interest held directly				
Global Sportswear Inc.	British Virgin Islands ('BVI')	Investment holding	1 ordinary share of US$1	100%
Takson (B.V.I.) Limited	BVI	Investment holding	1,000 ordinary shares of US$1 each	100%
Interest held indirectly				
Nanjing Takson Meierzi Manufacturing Limited	PRC	Inactive *(Note)*	Registered capital of US$1,200,000 (Paid up capital of US$181,200)	70%

25. Particulars of Principal Subsidiaries *(continued)*

Name	Country/ place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued share capital/ registered capital	Attributable equity interest
Interest held indirectly *(continued)*				
Powderhorn Establishment	Liechtenstein	Holding of trademarks	Swiss Franc 30,000	100%
Shanghai Global Sportswear Inc.	PRC	Manufacturing and sale of garments	Registered captial of US$200,000	100%
Takson Down Manufacturing, Inc.	United States of America	Trading of outerwear garments supplied by a group company	200,000 ordinary shares of US$1 each	100%
Takson Garment Manufacturing (Malaysia) Limited	Labuan, Malaysia	Sourcing and sales of outerwear garments	1 ordinary share of US$1	100%
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of outerwear garments	20 ordinary shares of HK$10,000 each	100%
Takson Garment Services Limited	BVI	Contracting agency in the PRC	10 ordinary shares of US$1 each	100%
Takson Properties Limited	BVI	Property holding in Hong Kong	1 ordinary share of US$1	100%
Wuhan Hande Sportswear Co. Ltd.	PRC	Manufacturing and sales of sportswear	Registered capital of RMB$3,000,000	51%

Note:
In July, 2003, both parties to the joint venture agreed to apply to the relevant authorities for the liquidation of the joint venture. The Group's earlier capital contribution in the form of bank savings of HK$993,000 is expected to be returned to the Group upon the completion of the liquidation of the joint venture that is expected to be completed before the end of the year.

26. Approval of Accounts

The accounts were approved by the board of directors on 8th July, 2003.