

# Notes To The Financial Statements

For the year ended March 31, 2004

## 1. GENERAL

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

The Company is an investment holding company. Principal activities of its subsidiaries are set out in note 23.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD AND CHANGE IN ACCOUNTING POLICY

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP"s) and Interpretations approved by the HKSA.

SSAP 12 (Revised) "Income taxes"

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In the previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from or up to their effective dates of acquisition or disposal, respectively.

### Investments in subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Property, plant and equipment

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

The gain or loss arising from 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.

Depreciation are provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	10 — 20%
Machinery and equipment	5 — 33 $\frac{1}{3}$ %
Furniture and office equipment	10 — 33 $\frac{1}{3}$ %
Motor vehicles	10 — 20%

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that these 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. Impairment losses are 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 so 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.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Revenue recognition

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

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

### Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

### 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 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 periods, 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 amount 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 goodwill (or negative goodwill) or 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

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 year 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.

### Textile quotas

Revenue from the sale of, and the cost of acquiring, temporary textile quotas are dealt with in the income statement in the period in which they are utilised. Textile quotas allocated by the authorities are not capitalised and are not included as assets in the balance sheet. The cost of permanent textile quotas acquired are amortised over a fixed period not exceeding five years or the remaining life of the relevant textile quota agreement, whichever is the shorter.

### Foreign currencies

Transactions in currencies other than Hong Kong dollar are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollar are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

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

### Retirement benefit scheme

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold during the year.

### (A) Business segments

The Group is only engaged in the garment business and therefore no business segment analysis is presented.

### (B) Geographical segments

The Group's operations are located in Hong Kong. All the Group's turnover and contribution to results were derived from the sales to the United States of America ("USA").

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
USA	11,024	7,163	—	—
Hong Kong	39,921	36,570	—	—
Mainland China (the "PRC")	35,072	24,386	3,395	866
	<u>86,017</u>	<u>68,119</u>	<u>3,395</u>	<u>866</u>

# Notes To The Financial Statements

For the year ended March 31, 2004

## 5. PROFIT BEFORE TAXATION

	2004 HK\$'000	2003 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration ( <i>note (i)</i> )	1,101	1,105
Other staff costs	4,219	5,111
Other staff's retirement benefit scheme contributions	162	198
Total staff costs	<u>5,482</u>	<u>6,414</u>
Auditors' remuneration:		
— current year	365	394
— overprovision in prior years	(34)	(12)
Allowance for inventories	—	1,211
Depreciation	2,191	2,985
Loss on disposals of property, plant and equipment	39	44
Operating lease rentals in respect of:		
— rented premises	743	642
— motor vehicle	10	—
Textile quota expenses	16,397	16,250
Cost of inventories recognised as expense	88,642	101,619
and after crediting:		
Bank interest income	98	176
Gain on realisation of equity-linked note	<u>186</u>	<u>—</u>

# Notes To The Financial Statements

For the year ended March 31, 2004

## 5. PROFIT BEFORE TAXATION (continued)

### (i) Information regarding directors' and employees' emoluments

	2004 HK\$'000	2003 HK\$'000
<b>Directors' emoluments</b>		
Directors' fees:		
Executive	80	80
Independent non-executive	100	100
	<u>180</u>	<u>180</u>
Other emoluments to executive directors:		
Salaries and others	910	910
Retirement benefit scheme contributions	11	15
	<u>921</u>	<u>925</u>
	<u><u>1,101</u></u>	<u><u>1,105</u></u>

The emoluments of each of the directors were below HK\$1,000,000.

### Employees' emoluments

The five highest paid individuals of the Group included two directors (2003: two directors). The emoluments of the remaining three (2003: three) highest paid employees are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and others	1,215	1,211
Retirement benefit scheme contributions	37	36
	<u>1,252</u>	<u>1,247</u>

The emoluments of each of the three (2003: three) highest paid employees were below HK\$1,000,000.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 6. TAXATION CREDIT (CHARGE)

	2004 HK\$'000	2003 HK\$'000
The taxation credit (charge) comprises:		
Hong Kong Profits Tax		
— current year	(706)	(1,255)
— overprovision in prior years	2,423	—
	<u>1,717</u>	<u>(1,255)</u>
Deferred taxation		
— deferred taxation credit (note 16)	386	309
— attributable to a change in tax rate	—	(88)
	<u>386</u>	<u>221</u>
	<u><u>2,103</u></u>	<u><u>(1,034)</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year.

During the year, Koniko Company Limited, a wholly owned subsidiary of the Company, successfully agreed the basis of offshore income claims with the Hong Kong Inland Revenue Department ("IRD"). As a result, prior years tax provision of approximately HK\$2,423,000 were reversed and credited to the income statement for the year.



# Notes To The Financial Statements

For the year ended March 31, 2004

## 6. TAXATION CREDIT (CHARGE) (continued)

The charge for the year can be reconciled to the profit before taxation per income statement as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>8,191</u>	<u>4,927</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(1,433)	(788)
Tax effect of expenses that are not deductible in determining taxable profit	(60)	(62)
Tax effect of income that is not taxable in determining taxable profit	1,307	32
Overprovision in prior years	2,423	—
Tax effect of unrecognised tax losses	(202)	(131)
Increase in opening deferred tax liability resulting from changes in applicable tax rate	—	(88)
Effect of different tax rate of the subsidiary operating in other jurisdiction	68	—
Others	—	3
Tax expense for the year	<u>2,103</u>	<u>(1,034)</u>

## 7. DIVIDEND

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Final dividend of HK\$0.02 per share (2003: nil)	<u>3,341</u>	<u>—</u>

# Notes To The Financial Statements

For the year ended March 31, 2004

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of approximately HK\$10,294,000 (2003: HK\$3,893,000) and on 167,031,016 (2003: 167,031,016) ordinary shares in issue during the year.

No diluted earnings per share figures have been shown as there were no dilutive potential ordinary shares outstanding in both years.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>The Group</b>					
Cost					
At April 1, 2003	1,940	13,696	3,685	2,137	21,458
Additions	12	2,544	267	572	3,395
Disposals	—	(166)	(70)	—	(236)
	<u>1,952</u>	<u>16,074</u>	<u>3,882</u>	<u>2,709</u>	<u>24,617</u>
At March 31, 2004	1,952	16,074	3,882	2,709	24,617
Depreciation					
At April 1, 2003	1,896	9,996	2,888	1,881	16,661
Provided for the year	31	1,667	313	180	2,191
Eliminated on disposals	—	(127)	(67)	—	(194)
	<u>1,927</u>	<u>11,536</u>	<u>3,134</u>	<u>2,061</u>	<u>18,658</u>
At March 31, 2004	1,927	11,536	3,134	2,061	18,658
NET BOOK VALUES					
At March 31, 2004	<u>25</u>	<u>4,538</u>	<u>748</u>	<u>648</u>	<u>5,959</u>
At March 31, 2003	<u>44</u>	<u>3,700</u>	<u>797</u>	<u>256</u>	<u>4,797</u>

# Notes To The Financial Statements

For the year ended March 31, 2004

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

	<b>Leasehold improvements</b>	<b>Furniture and office equipment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Company</b>			
Cost			
At April 1, 2003	124	90	214
Additions	—	2	2
	<hr/>	<hr/>	<hr/>
At March 31, 2004	124	92	216
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At April 1, 2003	81	57	138
Provided for the year	25	18	43
	<hr/>	<hr/>	<hr/>
At March 31, 2004	106	75	181
	<hr/>	<hr/>	<hr/>
NET BOOK VALUES			
At March 31, 2004	18	17	35
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At March 31, 2003	43	33	76
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Notes To The Financial Statements

For the year ended March 31, 2004

## 10. INTERESTS IN SUBSIDIARIES

	The Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries ( <i>Note</i> )	<u>23,725</u>	<u>22,209</u>
	<u>23,725</u>	<u>22,209</u>

Particulars of the principal subsidiaries of the Company as at March 31, 2004 are set out in note 23.

*Note:* The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinions of the directors, the amounts are unlikely to be repaid within the next twelve months from the balance sheet date and therefore are shown in the balance sheet as non-current.

## 11. INVENTORIES

	The Group	
	2004 HK\$'000	2003 HK\$'000
Raw materials	13,372	6,990
Work in progress	9,253	8,598
Finished goods	<u>5,969</u>	<u>4,077</u>
	<u>28,594</u>	<u>19,665</u>

At March 31, 2003, raw materials with an amount of approximately HK\$522,000 (2004: nil) were carried at net realisable value.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$11,024,000 (2003: HK\$7,163,000).

The aging analysis for trade receivables at the balance sheet date is as follows:

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Within 30 days	11,024	3,389
Over 30 days but less than 60 days	—	3,774
	<u>11,024</u>	<u>7,163</u>

Credit policy:

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale.

It is the policy of the Group to allow settlement on an open account basis only by customers who have good payment records and well-established relationships with the Group. The credit period for such customers is reviewed periodically in response to financial conditions, orders on hand and other credit information.

## 13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$13,631,000 (2003: HK\$7,954,000) and all aged within 90 days.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 14. SHARE CAPITAL

	2004 & 2003	
	Number of ordinary shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each	<u>167,031,016</u>	<u>1,670</u>

## 15. RESERVES

### The Group

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on page 15.

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation on May 25, 1993, together with the amounts transferred from share capital and share premium account as a result of the capital reduction taken place in August 2001, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 15. RESERVES (continued)

	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	(Deficit) surplus <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>The Company</b>				
Balance at April 1, 2002	14,093	3,781	(2,124)	15,750
2002 final dividend paid	(1,670)	—	—	(1,670)
Profit for the year	—	—	843	843
	<u>12,423</u>	<u>3,781</u>	<u>(1,281)</u>	<u>14,923</u>
Balance at March 31, 2003	12,423	3,781	(1,281)	14,923
Profit for the year	—	—	7,786	7,786
	<u>12,423</u>	<u>3,781</u>	<u>6,505</u>	<u>22,709</u>

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired on May 25, 1993, the date at which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, together with the amounts transferred from share capital and share premium account as a result of the capital reduction, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if 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; or
- (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 accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date were as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
— Contributed surplus	<b>12,423</b>	12,423
— Surplus (deficit)	<b>6,505</b>	(1,281)
	<u><b>18,928</b></u>	<u>11,142</u>

# Notes To The Financial Statements

For the year ended March 31, 2004

## 16. DEFERRED TAXATION

A summary of major deferred tax liability recognised and movement thereon during the current and prior year is as follows:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At April 1, 2002	935
Effect of change in tax rate	88
Credit to income for the year	<u>(309)</u>
At April 1, 2003	714
Credit to income for the year	<u>(386)</u>
At March 31, 2004	<u><u>328</u></u>

At the balance sheet date, the Group has unused tax losses of HK\$10,431,000 (2003: HK\$10,285,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

At the balance sheet date, the Company has unused tax losses of HK\$10,371,000 (2003: HK\$10,246,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

## 17. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company was committed to make the following future minimum lease payments in respect of rented premises and a motor vehicle under non-cancellable operating leases which fall due as follows:

	<b>2004</b>		2003	
	<b>Rented premises <i>HK\$'000</i></b>	<b>Motor vehicle <i>HK\$'000</i></b>	Rented premises <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>
THE GROUP				
Within one year	<u>513</u>	<u>230</u>	<u>438</u>	<u>—</u>
THE COMPANY				
Within one year	<u>438</u>	<u>230</u>	<u>438</u>	<u>—</u>



# Notes To The Financial Statements

For the year ended March 31, 2004

## 18. PLEDGE OF ASSETS

At the balance sheet date, the Company pledged its bank deposit of HK\$8,031,000 (2003: nil) to secure the credit facilities granted to the Company.

In addition, the Company's subsidiaries, namely Koniko Company Limited and High Dragon Limited, were also subordinated the intercompany debt due from the Company of HK\$7,347,000 (2003: nil) to secure the credit facilities granted to the Company.

## 19. CONTINGENT LIABILITIES

At March 31, 2004, the Company had given corporate guarantees of HK\$20,000,000 (2003: HK\$20,000,000) to secure general banking facilities granted to a subsidiary. The amount utilised by the subsidiary at the balance sheet date amounted to approximately HK\$1,042,000 (2003: HK\$1,498,000).

## 20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on October 11, 1999 pursuant to a resolution passed by the Company's shareholders on August 16, 1999 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on October 10, 2004. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK\$1 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme from time to time. The number of shares in respect of which options granted and may be granted to any Eligible Employee is not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 30 days from the date of the offer together with the payment of nominal consideration of HK\$1 in total by the grantee.

An option may be exercised at any time during a period not exceeding five years commencing after the date the option is accepted. The expiry of the option may be determined by the Board of Directors of the Company which shall not later than the last day of such period.

The exercise price is determined by the Directors of the Company, and will not be less than the greater of: (i) 80% of the average of the official closing price of the Company's shares for the 5 trading days immediately preceding the offer of the options; and (ii) the nominal value per share of the Company.

No options have been granted under the Scheme since its adoption.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 21. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

## 22. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

	2004 HK\$'000	2003 HK\$'000
Rental charges paid to related companies (note a)	594	642
Consultancy fees paid to a related company (note b)	180	240

These transactions were carried out in accordance with the terms of the relevant agreements governing such transactions.

Notes:

- (a) Certain directors and substantial shareholders of the Company have beneficial interests in these related companies.
- (b) The spouse and brother of a director have beneficial interests in this related company.

In addition, Mr. Ling Tak Yuk, John, a director of the Company, waived rental charges amounting to approximately HK\$347,000 payable by the Group for an office premises located in the PRC.

# Notes To The Financial Statements

For the year ended March 31, 2004

## 23. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at March 31 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
<b>Directly held</b>				
High Dragon Limited	British Virgin Islands	US\$1	100	Investment holding
Invigo Overseas Limited	British Virgin Islands	US\$1	100	Investment holding
Windstar Pacific Limited	British Virgin Islands	US\$1	100	Investment holding
<b>Indirectly held</b>				
Koniko Company Limited	Hong Kong	HK\$20 Deferred** non-voting shares HK\$22,143,000	100	Garment manufacture and trading
北京京馳健康食品研發有限公司	PRC***	US\$150,000	100	Established for the purpose of development and manufacture of health food

\* All are ordinary shares unless otherwise stated.

\*\* None of the deferred non-voting shares are held by the Group. The deferred non-voting shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

\*\*\* It is a wholly foreign owned enterprise established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

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