1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of leasehold land and buildings and investment properties, as further explained below.

(b) Adoption of revised Statements of Standard Accounting Practice

The accounting policies used in the preparation of the financial statements are consistent with the previous year except that the Group has adopted the Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income taxes" which became effective for the current financial year.

The principal effect of the implementation of the revised standard is in relation to deferred tax. In previous years partial provision was made for deferred tax using income statement liability method, that is, a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. The revised standard requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements, the new accounting policy has been adopted retrospectively, but the adoption of the Standard has not had any material effect on the results for the current year or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

The gain or loss on the disposal of interests in a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement and any related exchange fluctuation reserve.

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Subsidiaries

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

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

(c) Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the activities of the joint venture company, the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(ii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, with other joint venture parties over the joint venture company;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control by the Group and other joint venture parties, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

(e) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(f) Foreign currencies

Foreign currency transactions are recorded at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at exchange rates ruling at the balance sheet date. Exchange differences are dealt with in the income statement.

On consolidation, the income statements of overseas subsidiaries and jointly-controlled entities are translated at the weighted average rates for the year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

(g) Intangible assets

(i) Technical know-how

Technical know-how acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The cost of technical know-how acquired is amortised on a straight-line basis over its estimated useful life of 10 years.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Intangible assets (continued)

(ii) Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 to 15 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries and jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

(iii) Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of jointly-controlled entities, any negative goodwill not yet recognised in the consolidated income statement is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Intangible assets (continued)

(iii) Negative goodwill (continued)

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

On disposal of subsidiaries and jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated income statement and any relevant reserves, as appropriate.

(h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the properties revaluation reserve realised in respect of previous valuations is released to the income statement.

(i) Fixed assets

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Fixed assets (continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On the disposal or retirement of a revalued asset, the attributable revaluation surplus realised is transferred directly to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 5 years
Machinery and equipment	3 to 4 years
Furniture and fixtures	5 years
Motor vehicles	4 years

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

(j) Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the year in which it arises unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Leased assets

(i) Finance leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(l) Investment securities

Investment securities, which are securities held for an identified long-term strategic purpose, are stated at cost less impairment losses, if any. The carrying amounts of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement. The reduction is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Investment securities, which are either held-for-trading or available-for-sale, are measured at fair value at the balance sheet date. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale securities, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposed.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

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

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Sales of goods

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

(ii) Licensing income

Licensing income is recognised in accordance with the substance of the relevant licensing agreements.

(iii) Rental income

Rental income is recognised on a time proportion basis in accordance with the terms and conditions of the tenancy agreement.

(iv) Interest income

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Revenue recognition (continued)

(v) Management fee income

Management fee income is recognised when the services are rendered.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(q) Employee benefits

(i) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the People's Republic of China government, the subsidiaries of the Group operating in the People's Republic of China participate in municipal government retirement benefits scheme (the "PRC Scheme") whereby the subsidiaries are required to contribute a certain sum of money as calculated under the relevant rules specified by the relevant municipal government authorities to the PRC Scheme to fund the employees' retirement benefits. The Group is required to pay the ongoing contributions under the PRC Scheme, which are charged to the income statement as incurred.

(ii) Share option scheme

The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time when the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, equity is increased by the amount of the proceeds received. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Deferred taxation

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and jointly-controlled entries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation 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 taxation is also dealt with in equity.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, results, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

	2004 HK$'000	2003 HK$'000
Turnover		
Sales of goods	**673,030**	579,652
Processing income	**17,863**	–
Licensing income	**48,784**	–
	739,677	579,652
Other revenue		
Gross rental income from investment properties	**1,096**	1,139
Interest income	**2,453**	565
Management fee income	**548**	658
Guaranteed profit received from a joint venture partner of a jointly-controlled entity	**–**	1,193
Others	**170**	379
	4,267	3,934
Total revenue	**743,944**	583,586

Segment information

In determining the Group's geographical segments, revenues, results, assets and liabilities are attributed to the segments based on the location of assets.

The Group's geographical segments comprise Hong Kong and the People's Republic of China (excluding Hong Kong) (the "PRC").

The Group's business segments comprise manufacturing and sale of fashion garments business and the Swedish Texcote Technology business. The Swedish Texcote Technology is a material processing technology based on the principles of nanotechnology.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Geographical segments

The following tables present revenue, results and certain assets, liabilities and expenditures information for the Group's geographical segments.

	Hong Kong		PRC		Elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**103,845**	100,330	**635,832**	479,322	**–**	–	**739,677**	579,652
Intersegment sales	**–**	–	**69,924**	148,570	**(69,924)**	(148,570)	**–**	–
Total revenue	**103,845**	100,330	**705,756**	627,892	**(69,924)**	(148,570)	**739,677**	579,652
Segment results	**11,193**	1,575	**160,144**	38,787	**–**	–	**171,337**	40,362
Interest income							**–**	565
Other unallocated revenue							**–**	13,695
Unallocated expenses							**(17,598)**	(13,118)
Profit from operating activities							**153,739**	41,504
Finance costs							**(10,471)**	(9,958)
Share of profits/(losses) of jointly-controlled entities							**1,348**	(489)
Amortisation of goodwill arising on acquisition of jointly-controlled entities							**(7,500)**	(6,532)
Profit before taxation							**137,116**	24,525
Taxation							**(10,832)**	(2,793)
Minority interests							**(12,412)**	2,095
Net profit attributable to shareholders							**113,872**	23,827

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Geographical segments (continued)

	Hong Kong		PRC		Elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**136,393**	87,850	**720,946**	427,098	**–**	–	**857,339**	514,948
Interests in jointly-controlled entities							**62,146**	86,058
Minority interests							**–**	2,383
Unallocated assets							**–**	14,542
Total assets							**919,485**	617,931
Segment liabilities	**254,701**	191,600	**102,620**	72,513	**–**	–	**357,321**	264,113
Other segment information:								
Capital expenditure	**1,999**	15,192	**27,102**	40,207	**–**	–	**29,101**	55,399
Depreciation	**9,744**	8,163	**12,276**	12,108	**–**	–	**22,020**	20,271
Deficits on revaluation of leasehold land and buildings	**3,090**	536	**–**	40	**–**	–	**3,090**	576
Deficits on revaluation of investment properties	**160**	240	**–**	–	**–**	–	**160**	240
Loss on disposal of fixed assets	**925**	–	**–**	–	**–**	–	**925**	–
Unrealised loss on other investments	**–**	71	**–**	–	**–**	–	**–**	71

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Business segments

The following table presents revenue, assets and capital expenditure information for the Group's business segments.

	Manufacturing and sales of fashion garments		Swedish Texcote Technology		Elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue								
Sales to external customers	**590,847**	564,049	**148,830**	15,603	**–**	–	**739,677**	579,652
Intersegment sales	**–**	–	**18,483**	6,463	**(18,483)**	(6,463)	**–**	–
Total revenue	**590,847**	564,049	**167,313**	22,066	**(18,483)**	(6,463)	**739,677**	579,652
Segment assets	**702,922**	481,723	**154,417**	33,225			**857,339**	514,948
Capital expenditure	**3,137**	28,999	**25,964**	26,400			**29,101**	55,399

4. PROFIT FROM OPERATING ACTIVITIES

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

	2004 HK$'000	2003 HK$'000
Charging		
Auditors' remuneration		
– Current year	700	680
– Under-provision in prior year	111	500
Cost of inventories sold	485,965	413,314
Deficits on revaluation of leasehold land and buildings (note 11)	3,090	576
Deficits on revaluation of investment properties (note 12)	160	240
Loss on disposal of an investment property	500	–
Depreciation		
Owned fixed assets	17,001	14,060
Leased fixed assets	5,019	6,211
	22,020	20,271
Impairment loss on interest in a jointly-controlled entity	17,760	1,921
Minimum lease payments under operating leases in respect of land and buildings	26,113	26,938
Staff costs (excluding directors' remuneration – note 5)		
Wages and salaries	36,600	36,757
Retirement benefits scheme contributions	1,319	1,552
	37,919	38,309
Unrealised loss on other investments	–	71
Loss on disposal of fixed assets	925	–
Crediting		
Gains on sales of investment securities	(17,930)	–

5. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

The directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	2003
	HK$'000	HK$'000
Fees for independent non-executive directors	**284**	266
Salaries, allowances and benefits in kind for executive directors	**3,703**	3,960
Retirement benefits scheme contributions for executive directors	**48**	48
	4,035	4,274

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

There was no arrangement under which the directors waived or agreed to waive any remuneration during the year.

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

	Number of directors	
	2004	2003
Nil – HK$1,000,000	**5**	5
HK$1,000,001 – HK$1,500,000	**2**	2
	7	7

During the year, 51,200,000 share options were granted to the directors in respect of their services to the Group, details of which are set out in note 25. No value in respect of the share options granted during the year has been charged to the income statement, or is otherwise included in the above directors' remuneration disclosures.

The deemed benefits arising from the exercise of shares options during the year have not been included in the above directors' remuneration disclosures.

5. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Five highest paid individuals' remuneration

The five highest paid individuals during the year included three (2003: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2003: one) highest paid individuals are as follows:

	2004 HK$'000	2003 HK$'000
Salaries, allowances and benefits in kind	1,946	1,244
Retirement benefits scheme contributions	24	9
	1,970	1,253

During the year, no remuneration was paid by the Group to any of the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The number of the five highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2004	2003
Nil – HK$1,000,000	1	–
HK$1,000,001 – HK$1,500,000	1	1
	2	1

During the year, no share option was granted to these two highest paid individuals in respect of their services to the Group (2003: 10,000,000 share options were granted). No value in respect of the share options granted has been charged to the income statement, or is otherwise included in the above five highest paid individuals' remuneration disclosures.

The deemed benefits arising form the exercise of share options during the year have not been included in the above highest paid individuals' remuneration disclosures.

6. FINANCE COSTS

	2004 HK$'000	2003 HK$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	9,840	9,242
Finance leases	631	716
	10,471	9,958

7. TAXATION

	2004 HK$'000	2003 HK$'000
Current year provision:		
Hong Kong	**1,500**	1,791
Elsewhere	**9,492**	1,002
Over provision in previous year	**(160)**	–
Tax charge for the year	**10,832**	2,793

(a) Hong Kong profits tax is provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong for the year. In 2003, the Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(b) In accordance with the applicable corporate income tax law of the PRC, Shunde U-Right Garment Company Limited ("Shunde U-Right"), a subsidiary of the Group operating in the PRC, was exempted from enterprise income tax for the first two profitable calendar years of operation from 1 January 1999 to 31 December 2000, and is entitled to a 50% relief on the enterprise income tax for the following three years from 1 January 2001 to 31 December 2003. Accordingly, Shunde U-Right is subject to a reduced tax rate of 12% for the years from 1 January 2001 to 31 December 2003. Upon expiry of the tax relief period, the standard PRC enterprise income tax rate applicable to Shunde U-Right will be 24%.

(c) No provision for deferred taxation has been made in the financial statements as the tax effect of temporary differences is immaterial to the Group and the Company.

At the balance sheet date the Group has unused tax losses of HK$61 million (2003: HK$32 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future taxable profit streams. All losses may be carried forward indefinitely.

7. TAXATION (continued)

(d) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2004 HK$'000	2003 HK$'000
Profit before taxation	**137,116**	24,525
Tax at the applicable tax rate of 17.5% (2003: 16%)	**23,995**	3,924
Tax effect of income that is not taxable	**(28,884)**	(8,638)
Tax effect of expenses that is not deductible	**14,476**	3,908
Temporary timing difference not recognised	**(76)**	(1,372)
Tax effect of utilisation of tax losses not previously recognised	**(450)**	(47)
Tax effect of unused tax losses not recognised	**4,062**	4,674
Over provision of taxation charges	**71**	395
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,362)**	(51)
Taxation charges	**10,832**	2,793

8. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Included in net profit attributable to shareholders for the year ended 31 March 2004 is a net profit of HK$32,388,000 (2003: net loss of HK$2,715,000) dealt with in the financial statements of the Company.

9. DIVIDENDS

	2004 HK$'000	2003 HK$'000
Interim dividend paid – HK1 cent (2003: Nil) per ordinary share	**14,512**	–
Proposed final dividend – HK1.5 cents (2003: HK0.6 cent) per ordinary share	**22,152**	7,773
	36,664	7,773

The previously recorded proposed final dividend for the year ended 31 March 2003 was HK$7,113,000. The additional amount of approximately HK$660,000 paid was as a result of the exercise of share options and warrants prior to approval at the annual general meeting.

The final dividend for the year was proposed by the directors on 12 July 2004. The proposed final dividend is not recognised as a liability at 31 March 2004 as it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on:

	2004 **HK$'000**	2003 HK$'000
Earnings		
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculation	**113,872**	23,827
Number of shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**1,300,075,061**	1,073,251,910
Effect of dilutive potential ordinary shares in respect of share options	**N/A**	16,029,479
Weighted average number of ordinary shares used in diluted earnings per share calculation	**N/A**	1,089,281,389

Diluted earnings per share for the year ended 31 March 2004 has not been disclosed as the share options outstanding had an anti-dilutive effect on the basic earnings per share for the year.

11. FIXED ASSETS

Group

	Medium term leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 April 2003	56,948	14,241	30,222	49,526	17,667	168,604
Additions	–	10,046	1,301	15,917	1,837	29,101
Revaluation deficits	(3,240)	–	–	–	–	(3,240)
Transfer	2,982	(2,982)	–	–	–	–
Disposals of subsidiaries	–	–	–	(10,838)	(1)	(10,839)
Disposals	–	–	(3,606)	(13)	–	(3,619)
Exchange adjustments	54	(43)	(22)	5	7	1
At 31 March 2004	56,744	21,262	27,895	54,597	19,510	180,008
Accumulated depreciation						
At 1 April 2003	–	–	12,633	19,619	11,122	43,374
Charge for the year	1,236	–	8,435	9,040	3,309	22,020
Disposals of subsidiaries	–	–	–	(4,815)	(1)	(4,816)
Disposals	–	–	(2,714)	–	–	(2,714)
Reversal upon revaluation	(150)	–	–	–	–	(150)
Exchange adjustments	–	–	3	9	9	21
At 31 March 2004	1,086	–	18,357	23,853	14,439	57,735
Net book value						
At 31 March 2004	55,658	21,262	9,538	30,744	5,071	122,273
At 31 March 2003	56,948	14,241	17,589	29,907	6,545	125,230

The analysis of the cost or valuation at 31 March 2004 of the above assets is as follows:

At cost	2,982	21,262	27,895	54,597	19,510	126,246
At valuation – 2004	11,160	–	–	–	–	11,160
– 2003	42,602	–	–	–	–	42,602
	56,744	21,262	27,895	54,597	19,510	180,008

11. FIXED ASSETS (continued)

An analysis of the cost or valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2004 **HK$'000**	2003 HK$'000
Held under medium term leases in Hong Kong	**11,160**	14,400
Held under medium term leases in the PRC	**45,584**	42,548
	56,744	56,948

The Group's medium term leasehold land and buildings situated in Hong Kong were revalued as at 31 March 2004 by Castores Magi (Hong Kong) Limited ("Castores"), an independent firm of professional valuers, at HK$11,160,000 on an open market, existing use basis.

The Group's medium term leasehold land and buildings situated in the PRC were revalued as at 31 March 2003 by Castores at HK$42,548,000 on a depreciated replacement cost basis.

Revaluation deficits of HK$3,090,000 have been charged to the income statement.

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, their carrying amounts as at 31 March 2004 would have been HK$38,656,000 (2003: HK$36,909,000).

At 31 March 2004, the Group's leasehold land and buildings situated in the PRC with an aggregate carrying value of HK$41,695,722 were pledged to secure certain banking facilities granted to the Group (note 21(a) (iii)).

The net book value of the fixed assets of the Group held under finance leases included in leasehold improvements, machinery and equipment and furniture, fixtures and motor vehicles at 31 March 2004 amounted to HK$3,787,000 (2003: HK$10,569,000), HK$7,638,000 (2003: HK$6,197,000) and HK$2,104,000 (2003: HK$2,697,000) respectively.

Company

	Equipment HK$'000
Cost	
At 1 April 2003 and 31 March 2004	922
Accumulated depreciation	
At 1 April 2003	808
Charge for the year	114
At 31 March 2004	922
Net book value	
At 31 March 2004	–
At 31 March 2003	114

12. INVESTMENT PROPERTIES

	Group
	HK'000
Valuation	
At 1 April 2003	11,940
Disposal	(1,600)
Revaluation deficits	(910)
At 31 March 2004	9,430

The Group's investment properties are situated in Hong Kong and held under medium term leases.

At 31 March 2004, the investment properties were revalued by Castores on an open market, existing use basis at HK$9,430,000. Revaluation deficits of HK$750,000 and HK$160,000 arising therefrom has been charged to the properties revaluation reserve and the income statement respectively.

13. INTANGIBLE ASSETS

	Group		
	Technical know-how	Goodwill	Total
	HK'000	HK'000	HK'000
Cost			
At 1 April 2003	–	26,649	26,649
Additions	12,617	91,743	104,360
At 31 March 2004	12,617	118,392	131,009
Accumulated amortisation			
At 1 April 2003	–	6,651	6,651
Amortisation for the year	631	7,515	8,146
At 31 March 2004	631	14,166	14,797
Net book value			
At 31 March 2004	11,986	104,226	116,212
At 31 March 2003	–	19,998	19,998

The amounts of the goodwill capitalised as an asset during the year are arising from the acquisition of additional interests in subsidiaries.

As detailed in note 2(g)(iii) to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain credited to the capital reserve.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted investments, at cost	**81,310**	81,310

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except as disclosed in note 28(c).

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

Company	**Place of incorporation/ registration**	**Nominal value of issued and paid-up ordinary share/ registered capital**	**Percentage of equity attributable to the Company**	**Principal activities**
Directly held:				
Lucky Formosa International Group Limited	British Virgin Islands	US$10,000	100%	Investment holding
Indirectly held:				
Hing Yun Industries Company Limited	Hong Kong	HK$100	95%	Trading of fashion garments
Radix Development Company Limited	Hong Kong	HK$1,000	100%	Property holding
Shunde U-Right Garment Company Ltd.	The PRC	US$2,000,000	100%	Manufacturing and sale of fashion garments
Sky Fox Investment Limited	Hong Kong	HK$10,000,000	100%	Property holding
U-Right Garments Limited	Hong Kong	HK$10,000,000	100%	Retailing of fashion garments
U-Right (HK) Limited	Hong Kong	HK$1,000,000	100%	Provision of management services
U-Right International Limited	Hong Kong	HK$20	100%	Provision of management services
U-Right Macau Commercial Offshore Limited	Macau	MOP25,000	100%	Manufacturing and sale of fashion garments

14. INVESTMENTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held:				
New Asia Associates Limited	British Virgin Islands	US$1	90%	Investment holding
Texnology Nano (BVI) Limited (Formerly known as U-Right Nano (BVI) Limited	British Virgin Islands	US$100	76%	Investment holding
Texnology Nano International Limited (Formerly known as Outclass Associates Limited)	British Virgin Islands	US$1,000	78%	Sub-licensing of proprietary rights over Swedish Texcote Technology and trading of related raw materials
Texnology Nano Textile (China) Limited (Formerly known as U-Right Nano Textile (China) Limited	Hong Kong	US$1,000	78%	Processing of textile products
U-Right Nano Textile (Shunde) Limited	The PRC	US$2,500,000	78%	Processing of textile products

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

The principal places of operations of the subsidiaries are the same as their places of incorporation/registration, except for Texnology Nano Textile (China) Limited which operates in the PRC.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Share of net assets	**16,459**	15,111
Impairment loss	**(17,760)**	–
Goodwill on acquisition	**63,447**	70,947
	62,146	86,058

	HK$'000
Goodwill:	
At 1 April 2003	**70,947**
Amortisation for the year	**(7,500)**
At 31 March 2004	**63,447**

The amounts due from/to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's principal jointly-controlled entities at 31 March 2004 are as follows:

Company	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Texcote International Limited	Corporate	British Virgin Islands	46%	Licensing of proprietary rights over Swedish Texcote Technology
Texcote Technology (International) Limited	Corporate	Hong Kong	46%	Investment holding
Hong Kong Green Nature Environmental Engineering Limited	Corporate	Hong Kong	30%	Environmental protection projects

Pursuant to a shareholders' agreement dated 7 June 2002 entered into by the Group and the joint venture partner, the Group is unable to exercise unilateral control over Texcote International Limited ("TIL"). Accordingly, TIL and its subsidiaries have been classified as jointly-controlled entities, in which the Group had 51% equity interest through New Asia Associates Limited ("NAA") as at 31 March 2003. During the year, the Group disposed of certain interests in NAA to an independent party, thus, the Group had 46% equity interest in TIL as at 31 March 2004.

16. INVESTMENT SECURITIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Unlisted investments, at cost	**47,333**	–	**–**	–
Current				
Unlisted investment fund, at market value	**980**	980	**–**	–
Trading securities, at market value	**1,533**	–	**1,533**	–
	2,513	980	**1,533**	–

All of the Group's investments in trading securities are listed on The Stock Exchange of Hong Kong Limited and are carried at market value.

17. DEPOSITS FOR ACQUISITION OF LONG-TERM ASSETS

	Group	
	2004	2003
	HK$'000	HK$'000
Deposit paid for acquisition of a subsidiary	**–**	37,336

The deposit paid for acquisition of a subsidiary was refunded together with interests upon termination of the agreement during the year.

18. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Raw materials	**69,607**	70,041
Finished goods	**21,104**	17,135
	90,711	87,176

No inventories of the Group were carried at net realisable value (2003: Nil).

19. TRADE RECEIVABLES

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less provision against doubtful debts when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

	Group	
	2004	2003
	HK$'000	HK$'000
Within 30 days	**18,876**	19,148
Between 31 days to 60 days	**10,203**	19,669
Between 61 days to 180 days	**28,174**	32,731
	57,253	71,548
Provision against doubtful debts	**(1,749)**	(1,747)
	55,504	69,801

20. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice dates, is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within 30 days	**15,613**	4,733
Between 31 days to 60 days	**7,461**	3,027
Between 61 days to 180 days	**3,278**	17,668
Over 180 days	**295**	–
	26,647	25,428

21. INTEREST-BEARING BORROWINGS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts	**–**	3,079	**–**	–
Bank loans (notes (a)(i) and (ii))	**15,831**	10,032	**7,756**	–
Trust receipt loans (note (a)(i))	**51,460**	47,955	**–**	–
Term and syndicated loans (note (b))	**210,000**	130,000	**210,000**	130,000
	277,291	191,066	**217,756**	130,000
Bank overdrafts repayable on demand	**–**	3,079	**–**	–
Bank loans repayable within one year	**15,831**	10,032	**7,756**	–
Trust receipt loans repayable within one year	**51,460**	47,955	**–**	–
Term and syndicated loans repayable:				
Within one year	**17,690**	37,143	**17,690**	37,143
In the second year	**67,310**	74,286	**67,310**	74,286
In the third to fifth years, inclusive	**125,000**	18,571	**125,000**	18,571
	210,000	130,000	**210,000**	130,000
	277,291	191,066	**217,756**	130,000
Portion classified as current liabilities	**(84,981)**	(98,209)	**(25,446)**	(37,143)
Non-current portion	**192,310**	92,857	**192,310**	92,857

At 31 March 2004 the Group had total banking facilities of approximately HK$442 million (2003: HK$279 million), of which approximately HK$382 million were committed banking facilities, which comprised the following:

(a) General banking facilities

(i) Banking facilities of approximately HK$141 million (2003: HK$248 million) which were secured by corporate guarantees executed by the Company. At 31 March 2004, bank loans of approximately HK$15 million (2003: HK$2 million) and trust receipt loans were drawn under these facilities.

(ii) A banking facility of approximately HK$0.5 million (2003: HK$0.5 million) which were secured by corporate guarantees executed by certain unrelated parties. At 31 March 2004, the facility was fully utilised.

21. INTEREST-BEARING BORROWINGS (continued)

(a) General banking facilities (continued)

(iii) Banking facilities of approximately HK$15 million (2003: HK$23 million) which were secured by the Group's leasehold land and buildings situated in the PRC with an aggregate carrying value of approximately HK$42 million (2003: HK$42 million) (note 11). At 31 March 2004, none of these facilities were utilised (2003: Nil).

(iv) A standby letter of credit facility of approximately HK$7.8 million (2003: HK$7.5 million) was guaranteed by a financial institution. The standby letter of credit facility was in turn guaranteed by the Company. At 31 March 2004, bank loan of approximately HK$7,477,000 (2003: HK$7,467,000) was fully drawn under this facility.

(b) Term and syndicated loan facilities

During the year, the Company was granted by certain banks a term loan facility of HK$50 million and a syndicated loan facility of HK$200 million. At 31 March 2004, these facilities were utilised to the extent of HK$10 million and HK$200 million respectively. These facilities were partly used for the repayment of the syndicated loan arranged in 2002 and other general banking facilities. Both the term and syndicated loans bear interest at Hong Kong Interbank Offered Rate plus 1.15% per annum. The syndicated loan will be repayable by 8 equal successive quarterly instalments of HK$15 million commencing on 16 January 2005 and a final instalment of HK$80 million on 16 January 2007.

According to these loan agreements, the Company is required to comply with certain financial convenants throughout the term life of the facilities and in addition, the controlling shareholders (Leung Ngok, Leung Shing, ACE Target and any discretionary trust) are required to own in aggregate, either directly or indirectly, at least 35% of the total issued share capital of the Company during the term life of these facilities.

22. FINANCE LEASE PAYABLES

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

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**5,612**	8,876	**5,305**	8,054
In the second year	**3,270**	4,808	**3,018**	4,423
In the third to fifth years, inclusive	**3,042**	2,943	**3,046**	2,857
Total minimum finance lease payments	**11,924**	16,627	**11,369**	15,334
Future finance charges	**(555)**	(1,293)		
Total net finance lease payables	**11,369**	15,334		
Portion classified as current liabilities	**(5,305)**	(8,054)		
Non-current portion	**6,064**	7,280		

As at 31 March 2004, the Group's finance lease payables of approximately HK$10,223,000 (2003: HK$14,577,000) were secured by corporate guarantees executed by the Company.

	Company			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**–**	136	**–**	114
In the second year	**–**	–	**–**	–
Total minimum finance lease payments	**–**	136	**–**	114
Future finance charges	**–**	(22)		
Total net finance lease payables	**–**	114		
Portion classified as current liabilities	**–**	(114)		
Non-current portion	**–**	–		

23. MINORITY INTERESTS

	Group 2004 HK$'000	Group 2003 HK$'000
Share of net liabilities by minority shareholders	–	(2,707)
Share of net assets by minority shareholders	10,536	324
	10,536	(2,383)

24. SHARE CAPITAL

	Note	Number of shares 2004	Number of shares 2003	Ordinary share capital 2004 HK$'000	Ordinary share capital 2003 HK$'000
Ordinary shares of HK$0.10 each					
Authorised:		2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:					
At beginning of year		1,106,580,700	946,039,400	110,658	94,604
Issue of shares					
Exercise of share options	(a)	123,600,000	–	12,360	–
Exercise of warrants	(b)	4,800	115,541,300	1	11,554
Subscribed shares	(c)(d)	221,000,000	45,000,000	22,100	4,500
At end of year		1,451,185,500	1,106,580,700	145,119	110,658

Notes:

(a) During the year, 123,600,000 (2003: Nil) ordinary shares of HK$0.10 were issued in relation to share options exercised by directors, employees and suppliers under the share option scheme as follows:

(i) 70,000,000 share options exercised at HK$0.2778 per share;

(ii) 10,000,000 share options exercised at HK$0.36 per share;

(iii) 30,800,000 share options exercised at HK$0.38 per share; and

(iv) 12,800,000 share options exercised at HK$0.39 per share.

The excess of the exercise price received over the nominal value of shares issued of HK$27,382,000 (before issuing expenses) was credited to the share premium account.

(b) During the year, 4,800 ordinary shares of HK$0.10 each in the Company were issued to certain warrant holders at a price of HK$0.45 per share, following the exercise of the warrants. The excess of the consideration received over the nominal value of the shares issued, in the amount of HK$1,680, was credited to the share premium account. The outstanding balance of 48,414,500 warrants not exercised were expired on 12 September 2003.

24. SHARE CAPITAL (continued)

(c) The placement of ordinary shares of HK$0.10 each in the Company held by Mr. Leung Ngok, a substantial shareholder of the Company, to independent third parties not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their associates as defined in the Listing Rules, and new subscriptions by Mr. Leung Ngok of the same number of shares and at the same price per share took place during the year as follows:

(i) on 17 July 2003, 49,000,000 ordinary shares of HK$0.10 each at a price of HK$0.33 per share; and

(ii) on 25 August 2003, 60,000,000 ordinary shares of HK$0.10 each at a price of HK$0.35 per share.

The excess of the consideration received over the nominal value of the shares issued of HK$26,270,000 (before issuing expenses), was credited to the share premium account.

(d) On 6 October 2003, 112,000,000 ordinary shares of HK$0.10 each in the Company were placed by the Company to independent third parties not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their associates as defined in the Listing Rules, at a price of HK$0.38 per share. The excess of the consideration received over the nominal value of the shares issued of HK$31,360,000 (before issuing expenses), was credited to the share premium account.

25. SHARE OPTION SCHEME

The share option scheme of the Company (the "Scheme") was adopted at the special general meeting of the Company on 9 July 2002 for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme should, unless otherwise terminated or amended, remain in force for ten years from 17 July 2002.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 25 September 2003 (i.e. not exceeding 129,558,550 shares of the Company). Share options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

25. SHARE OPTION SCHEME (continued)

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, are subject to prior approval from shareholders in a general meeting.

The offer of a grant of share options shall be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than ten years from the date of the offer of the share options subject to the provisions for early termination set out in the Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto except otherwise imposed by the board of directors.

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

During the year, 120,400,000 shares options were granted to directors, employees and suppliers of the Group. 123,600,000 share options were exercised by directors, employees and suppliers during the year, details of which are set out in note 24(a). No options were cancelled or lapsed during the year ended 31 March 2004 (2003: Nil).

At 31 March 2004, the Company had 76,800,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 76,800,000 additional ordinary shares of the Company and additional share capital of HK$7,680,000 and share premium of HK$21,504,000 (before issuing expenses).

The total number of the Company's shares currently available for issue under the Scheme is 9,158,550 shares, being 0.62% of the issued share capital of the Company as at the date of this annual report.

25. SHARE OPTION SCHEME (continued)

A summary of the movement of share options granted under the Scheme during the year is as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per share HK$	Closing price before the date of grant HK$	Number of share options outstanding at 1 Apr 2003	Number of share options granted during the year	Number of share options exercised during the year	Number of share options outstanding at 31 Mar 2004
Directors								
Mr. Leung Ngok	23 Aug 2002	7 Aug 2002 – 6 Aug 2012	0.2778	–	10,000,000	–	(10,000,000)	–
	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.39	–	12,800,000	–	12,800,000
Mr. Leung Shing	23 Aug 2002	7 Aug 2002 – 6 Aug 2012	0.2778	–	10,000,000	–	(10,000,000)	–
	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.39	–	12,800,000	–	12,800,000
Mr. Lee Ka Yiu, Andy	23 Aug 2002	7 Aug 2002 – 6 Aug 2012	0.2778	–	10,000,000	–	(10,000,000)	–
	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.39	–	12,800,000	–	12,800,000
Mr. Li Chung Hing	23 Aug 2002	7 Aug 2002 – 6 Aug 2012	0.2778	–	10,000,000	–	(10,000,000)	–
	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.39	–	12,800,000	(12,800,000)	–
Other employees (in aggregate)	23 Aug 2002	7 Aug 2002 – 6 Aug 2012	0.2778	–	30,000,000	–	(30,000,000)	–
	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.39	–	30,800,000	(18,000,000)	12,800,000
Suppliers (in aggregate)	17 Oct 2002	10 Oct 2002 – 9 Oct 2012	0.36	–	10,000,000	–	(10,000,000)	–
	22 Oct 2003	21 Oct 2003 – 20 Oct 2013	0.39	0.405	–	12,800,000	(12,800,000)	–
	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.39	–	25,600,000	–	25,600,000
					80,000,000	120,400,000	(123,600,000)	76,800,000

26. RESERVES

Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2002	68,739	40,358	(2,990)	106,107
Issue of new shares	72,390	–	–	72,390
Shares issue expenses	(1,144)	–	–	(1,144)
Loss for the year	–	–	(2,715)	(2,715)
At 31 March 2003	139,985	40,358	(5,705)	174,638
Representing:				
At 31 March 2003 after proposed final dividend				166,865
Proposed final dividend (note 9)				7,773
				174,638
At 1 April 2003	139,985	40,358	(5,705)	174,638
Issue of shares				
Exercise of share options (note 24(a))	27,382	–	–	27,382
Exercise of warrants (note 24(b))	2	–	–	2
Subscribed shares (note 24(c), (d))	57,630	–	–	57,630
Shares issue expenses	(1,966)	–	–	(1,966)
Profit for the year	–	–	32,388	32,388
Dividends paid (note 9)	–	–	(22,285)	(22,285)
At 31 March 2004	223,033	40,358	4,398	267,789
Representing:				
At 31 March 2004 after proposed final dividend				245,637
Proposed final dividend (note 9)				22,152
				267,789

The contributed surplus represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited completed on 16 October 2000 over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is available for cash distribution and/or distribution in specie in certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of additional interests in subsidiaries

	2004 **HK$'000**	2003 HK$'000
Net assets acquired:		
Fixed assets	**–**	1,182
Trade receivables	**–**	134
Prepayments, deposits and other receivables	**–**	175
Bank and cash balances	**–**	101
Trade payables	**–**	(2,881)
Accruals and other payables	**–**	(120)
Minority interests	**2,522**	(52)
Provision for taxation	**–**	(188)
Goodwill	**91,743**	26,649
	94,265	25,000
Satisfied by:		
Cash consideration	**94,265**	13,000
Deposit paid in previous year	**–**	12,000
	94,265	25,000

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of additional interests in subsidiaries is as follows:

	2004 **HK$'000**	2003 HK$'000
Bank and cash balances acquired	**–**	101
Cash consideration	**(94,265)**	(13,000)
Net outflow of cash and cash equivalents in respect of the acquisition of additional interests in subsidiaries	**(94,265)**	(12,899)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of interests in subsidiaries

	2004 **HK$'000**	2003 HK$'000
Net assets disposed of:		
Fixed assets	**6,023**	1,123
Prepayments and other receivables	**358**	12,539
Provision for taxation	**(9,465)**	(11,988)
Minority interests	**3,290**	–
	206	1,674
Gain on disposal of interests in subsidiaries	**45,294**	10,326
	45,500	12,000
Satisfied by:		
Cash consideration	**45,500**	12,000

The results of the interests in subsidiaries disposed of in the year ended 31 March 2004 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

(c) Analysis of cash flows from financing activities

	Bank loans HK$	**Term and syndicated loans** HK$	**Finance lease payables** HK$
Balance at 1 April 2002	54,340	–	7,512
New drawdown	30,123	130,000	14,269
Repayment	(74,431)	–	(6,447)
Balance at 31 March 2003	10,032	130,000	15,334
New drawdown	7,766	210,000	2,862
Repayment	(1,967)	(130,000)	(6,827)
Balance at 31 March 2004	15,831	210,000	11,369

(d) Major non-cash transaction

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 HK$2,862,000 (2003: HK$14,269,000).

28. RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid rental expenses of HK$910,000 (2003: HK$910,000) to Mr. Leung Ngok and Mr. Leung Shing for properties jointly owned by them. In addition, the Group paid rental expenses of HK$720,000 (2003: HK$720,000) and HK$50,000 (2003: HK$600,000) to Mr. Leung Shing and the wife of Mr. Leung Ngok respectively. Mr. Leung Ngok and Mr. Leung Shing are executive directors of the Company. The properties leased were occupied by the Group as retail outlets and directors' quarters.

(b) During the year, the Group had the following transactions with Texcote Technology (International) Limited, a jointly-controlled entity:

	2004 **HK$'000**	2003 HK$'000
Purchases	**1,100**	777
Sales	**–**	8
Rental income received	**122**	–
Management fee received	**548**	658
Interest income received	**–**	26
Licensing fees paid	**4,000**	–

(c) At 31 March 2004, certain wholly-owned subsidiaries of the Group provided advances totalling approximately HK$95,000,000 to a non-wholly owned subsidiary of the Group, with interest charged at 2% per annum. The advances are unsecured and have no fixed terms of repayment. The principal purpose of these advances is to finance the non-wholly owned subsidiary's investment activities.

At 31 March 2003, certain wholly-owned subsidiaries of the Group provided advances totalling approximately HK$54,318,000 to a non-wholly-owned subsidiary of the Group, at 7% per annum. The advances are unsecured and have no fixed terms of repayment. The principal purpose of these advances is to finance the non-wholly-owned subsidiary's operating activities.

29. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 March 2004 (2003: Nil).

As at 31 March 2004, the Company had provided unlimited corporate guarantees for banking facilities granted to certain of its subsidiaries, which were utilised to the extent of HK$66,828,000 (2003: HK$52,360,000) as at that date, and corporate guarantees for finance lease payables of certain subsidiaries of HK$10,223,000 (2003: HK$14,577,000).

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At 31 March 2004, the Group had total future minimum lease receivables under non-canellable operating leases with its tenants falling due as follows:

	2004 HK$'000	2003 HK$'000
Within one year	**740**	419

(b) As lessee

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

	2004 HK$'000	2003 HK$'000
Within one year	**13,999**	28,571
In the second to fifth years, inclusive	**4,693**	13,913
	18,692	42,484

(c) The Company has not entered into any operating lease arrangements as at the balance sheet date (2003: Nil).

31. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

	2004 HK$'000	2003 HK$'000
Contracted but not provided for		
(i) non-current investment	**11,000**	–
(ii) purchases of plant and machinery	**–**	8,714
(iii) construction of factory buildings	**4,587**	14,178
	15,587	22,892

The Company did not have any significant capital commitments as at the balance sheet date (2003: Nil).

31. COMMITMENTS (continued)

(b) Commitment arising from a license agreement

Pursuant to the license agreement dated 2 April 2002 and the supplementary letter of amendment dated 28 October 2002 (collectively referred to as the "License Agreement") entered into between Texnology Nano International Limited ("TNIL"), a subsidiary of the Company, and Texcote International Limited ("TIL"), a jointly-controlled entity of the Company (note 15), TNIL has been granted exclusive rights over the Swedish Texcote Technology for the use in the textile and clothing industry in Mainland China, Hong Kong and Macau for a term of 28 years commencing on 2 April 2002. In addition, TNIL has the rights to sub-license the whole or part of its right to other parties during the term of the License Agreement.

In consideration of the rights granted, TNIL is required to pay an aggregate sum of HK$28,000,000 to TIL in the following manner:

(i) an annual fee of HK$2,000,000 for each of the years ended/ending 31 March 2003, 2004, 2005 and 2006; and

(ii) an amount equal to 10% of the annual profit after tax of TNIL commencing from the year ending 31 March 2006 until an aggregate total of HK$20,000,000 has been paid.

32. POST BALANCE SHEET DATE EVENTS

(a) On 18 June 2004, 259,000,000 warrants were placed to independent third parties not connected with directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their associates as defined in the Listing Rules, at HK9.7 cents per warrant. Each warrant will entitle the holder thereof to subscribe for one share in the Company at an initial subscription price of HK$0.20 per share. The net proceeds of the placing of approximately HK$24 million, net of expenses, are intended to be used as general working capital of the Group.

(b) On 21 June 2004, a subsidiary of the Group entered into an agreement with an independent party for the purchase of a property, which is currently occupied by the Group for office purpose, at a consideration of approximately HK$41 million pursuant to the exercise of the option to purchase under the tenancy agreement.

(c) During the period from 1 April 2004 to 12 July 2004 an aggregate of 25,600,000 share options were exercised, resulting in the issue of 25,600,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$9,728,000.

(d) On 12 July 2004, the directors proposed a final dividend for the year ended 31 March 2004, details of which are set out in note 9.

33. COMPARATIVE FIGURES

Certain comparative figures in the income statement and the notes thereto have been reclassified to conform with the current year's presentation. The changes included the reclassification of geographical segment information, and the reclassification of expenses previously classified as other operating expenses to selling and distribution costs and administrative expenses. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's operating results.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 July 2004.