(Expressed in Hong Kong dollars)

1 BACKGROUND INFORMATION

Tack Fat Group International Limited (the "Company") was incorporated in the Cayman Islands on 12 March 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme (the "reorganisation") to rationalise the structure of the Group in the preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") in April 2002, the Company became the holding company of the companies now comprising the Group on 11 April 2002. This was accomplished by the Company acquiring the entire issued share capital of Ever Century Holdings Limited ("Ever Century"), the then holding company of the other companies comprising the Group at that date.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on SEHK. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of land and buildings as set out in Note 2(e).

Pursuant to the reorganisation, the Company became the holding company of the other companies comprising the Group on 11 April 2002. The Company and its subsidiaries resulting from the reorganisation have been regarded as a continuing group. Accordingly, the reorganisation has been accounted for on the basis of merger accounting, under which consolidated financial statements for the year ended 31 March 2003 have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31 March 2003, or since their respective dates of the incorporation or establishment, whichever is later.

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see Note 2(h)).

(d) Other investments in securities

The Group's policies for investments in securities other than investments in subsidiaries are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Fixed assets

(i) Fixed assets are carried in the balance sheet on the following bases:

- land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see Note 2(g)). Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and

- plant and machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see Note 2(g)) and impairment losses (see Note 2(h)).

(ii) Changes arising on the revaluation of land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of land and buildings held for own use, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(h). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(h). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2(o)(iii).

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Amortisation and depreciation

(i) Depreciation is calculated on a straight-line basis to write off the cost or valuation of fixed assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Plant and machinery	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles and yacht	4 years

(ii) Leasehold land and land use rights are amortised on a straight-line basis over the terms of the respective leases/grants.

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets and other long-lived assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Textile quota entitlements

Permanent textile quota entitlements are stated at cost less accumulated amortisation and impairment losses (see Note 2(h)). Amortisation is provided on a straight-line basis over their estimated economic useful life of three years. Costs of temporary textile quota entitlements are charged to the income statement as incurred.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method of costing and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and defined contribution retirement scheme organised by the People's Republic of China ("the PRC") municipal government, are recognised as an expense in the income statement as incurred, except to the extent that they are included as part of the cost of inventories at the balance sheet date.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Employee benefits *(continued)*

(iii) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a 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 can be made. Where 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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) *Sales of goods*
Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes, if any, and is after deduction of any trade discounts.

(ii) *Trading of temporary textile quota*
Revenue arising from trading of temporary textile quota is recognised when it becomes receivable upon the transfer of temporary textile quota to the buyers.

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition *(continued)*

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(iv) *Interest income*

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

With respect to subsidiaries outside Hong Kong, whose operations are dependent on the economic circumstances of the Group's reporting currency, the income and expenses of such subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates whereas the monetary assets and liabilities of such subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the consolidated income statement.

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 TURNOVER

The principal activities of the Group are the manufacturing and sale of garments.

Turnover represents the aggregate of the invoiced value of goods sold, after deducting goods returned, trade discounts and sales tax and proceeds from trading of temporary textile quota as follows:

	2004	2003
	$'000	*$'000*
Revenue from sales of goods	**988,083**	884,219
Proceeds from trading of temporary textile quota	**1,330**	812
	989,413	885,031

4 OTHER REVENUE AND NET INCOME

	2004	2003
	$'000	*$'000*
Other revenue		
Interest income	**622**	1,349
Others	**115**	152
	737	1,501
Other net income		
Net exchange gain	**626**	48

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

		2004	2003
		$'000	$'000
(a)	Finance costs:		
	Interest on bank loans and overdrafts wholly repayable within five years	10,600	12,755
	Finance charges on obligations under finance leases	892	1,081
	Bank charges	6,509	5,859
		18,001	19,695
(b)	Staff costs #:		
	Salaries, wages and other benefits	123,223	97,990
	Contributions to defined contribution retirement schemes	1,045	1,833
		124,268	99,823
(c)	Other items:		
	Cost of inventories sold #	665,598	593,633
	Subcontracting charges #	30,066	62,950
	Depreciation #		
	– owned assets	26,245	23,120
	– assets held under finance leases	7,517	4,644
	Amortisation of permanent textile quota entitlements	1,296	3,989
	Purchase cost of temporary textile quota entitlements	11,234	5,212
	Operating lease charges in respect of properties #	2,829	2,742
	Auditors' remuneration – audit services	1,202	1,333
	Provision for inventory obsolescence #	6,992	3,952

\# *Cost of inventories sold includes $157,808,000 (2003: $166,546,000) relating to subcontracting charges, staff costs, depreciation expenses, operating lease charges and provision for inventory obsolescence, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2004	2003
	$'000	*$'000*
		restated
Current tax		
– Provision for Hong Kong Profits Tax for the year	**6,303**	5,746
– Over-provision in respect of prior years	**(2,232)**	(572)
	4,071	5,174
Provision for overseas tax for the year	**603**	–
	4,674	5,174
Deferred tax		
Origination and reversal of temporary differences	**3,712**	4,161
Effect of increase in tax rate on deferred tax balances at 1 April	**–**	301
	3,712	4,462
	8,386	9,636

In March 2003, the Hong Kong Government announced an increase in the Hong Kong Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase has been taken into account in the preparation of the Group's 2004 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2004 has been calculated at 17.5% (2003: 16%) of the estimated assessable profits for the year. Deferred tax arising from the Group's operations in Hong Kong as at 31 March 2003 and 2004 has been calculated at 17.5%.

The Group's subsidiary in the PRC, Luoding Hua Tian Long Garment Ltd. is subject to PRC income tax at 33%.

The Group's subsidiaries in Cambodia are subject to Cambodia income tax at a rate of 9%. Pursuant to the tax exemption certificates dated 15 June 2000 issued by the relevant tax authorities, Tack Fat Garment (Cambodia) Ltd. was exempted from Cambodia income tax for the period from 15 June 2000 to 14 June 2004 and Cambodia Sportswear Mfg. Ltd. was exempted from Cambodia income tax for the period from 15 June 2000 to 14 June 2003. Cambodia Sportswear Mfg. Ltd. is subject to Cambodia income tax at 9% starting from 15 June 2003. The Group's newly established subsidiary in Cambodia, Supertex Limited did not derive any profits for the year and accordingly, no provision for Cambodia income tax is required.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004	2003
	$'000	*$'000*
Profit before tax	**129,435**	113,749
Notional tax on profit before tax, calculated at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	**22,651**	18,201
Non-taxable offshore income	**(2,008)**	(1,466)
Tax rate differential of overseas subsidiaries	**(5,649)**	(3,423)
Effect of tax holidays of overseas subsidiaries	**(5,481)**	(6,596)
Non-deductible expenses	**1,105**	3,191
Effect on opening deferred tax balances resulting from an increase in tax rate during the year	**–**	301
Effect of over-provision in respect of prior years	**(2,232)**	(572)
Actual tax expense	**8,386**	9,636

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	2003
	$'000	*$'000*
Fees	**120**	110
Salaries and other emoluments	**4,554**	4,500
Retirement scheme contributions	**49**	48
	4,723	4,658

Included in the directors' remuneration were fees of $120,000 (2003: $110,000) paid to the independent non-executive directors during the year.

(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION *(continued)*

The remuneration of the directors is within the following bands:

	Number of directors	
	2004	2003
$		
Nil – 1,000,000	**5**	5
1,000,001 – 2,500,000	**–**	–
2,500,001 – 3,000,000	**1**	1
	6	6

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2003: four) are directors whose emoluments are disclosed in Note 7 above. The aggregate of the emoluments in respect of the remaining two (2003: one) individuals are as follows:

	2004	2003
	$'000	*$'000*
Salaries and other emoluments	**953**	456
Retirement scheme contributions	**24**	12
	977	468

The emoluments of the two (2003: one) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2004	2003
$		
Nil – 1,000,000	**2**	1

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $14,599,000 (2003: $11,953,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2004 $'000	2003 $'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	**14,599**	11,953
Final dividends from subsidiaries attributable to profits of the previous financial year, approved and paid during the year	**27,460**	–
Company's profit for the year (Note 31)	**42,059**	11,953

10 DIVIDENDS

(a) Dividends attributable to the year

	2004 $'000	2003 $'000
Interim dividend declared and paid of 0.9 cents (2003: 0.8 cents) per share	**12,562**	10,624
Final dividend proposed after the balance sheet date of 2 cents (2003: 2 cents) per share	**28,416**	27,393
	40,978	38,017

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2004 $'000	2003 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 2 cents (2003: 0.625 cents) per share (Note)	**27,461**	8,300

Note: The amount of final dividend paid during the year of $27,461,000 included an additional amount of $68,000 paid to holders of new shares issued on conversion of convertible bonds before the closing date of the shareholders' register.

(Expressed in Hong Kong dollars)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $121,049,000 (2003 (restated): $104,113,000) and the weighted average of 1,379,729,000 (2003: 1,302,097,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the adjusted profit attributable to shareholders of $122,402,000 (2003 (restated): $104,275,000) and the weighted average of 1,470,460,000 (2003: 1,324,487,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	2004	2003
	$'000	*$'000*
		restated
Profit attributable to shareholders	**121,049**	104,113
Increase in earnings arising from savings in interest cost, net of tax (assuming the convertible bonds had been converted into shares in the Company at the date of issue)	**1,353**	162
Adjusted profit attributable to shareholders	**122,402**	104,275

	2004	2003
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,379,729**	1,302,097
Deemed issue of ordinary shares in relation to convertible bonds	**37,983**	15,316
Deemed issue of ordinary shares for no consideration in relation to share option scheme	**52,748**	7,074
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,470,460**	1,324,487

12 CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 April 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) "Income taxes" issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred taxation as set out in Note 2(m). As a result of the adoption of new accounting policy, the Group's profit for the year has been decreased by $13,000 (2003: $13,000) and the net assets as at the year end have been decreased by $3,793,000 (2003: $3,780,000).

The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

13 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segment

Throughout the year, the Group has been operating in one single business segment, i.e. the manufacturing and sale of garments.

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditures are based on the geographical location of the assets.

13 SEGMENT REPORTING *(continued)*

(b) Geographical segments *(continued)*

The Group's business is principally managed in Hong Kong and other parts of the PRC as well as in Cambodia while the principal markets for the Group's products are wholesalers and retailers in North America, Europe and other regions.

		2004	2003
		$'000	*$'000*
(i)	*Segment revenue*		
	North America	**656,970**	578,297
	Europe	**234,491**	218,415
	Other regions	**97,952**	88,319
		989,413	885,031
(ii)	*Capital expenditures*		
	Hong Kong	**1,592**	971
	PRC, excluding Hong Kong	**12,352**	14,477
	Cambodia	**75,484**	25,584
		89,428	41,032
(iii)	*Segment assets*		
	Hong Kong	**694,724**	256,735
	PRC, excluding Hong Kong	**94,144**	95,608
	Cambodia	**429,278**	365,013
		1,218,146	717,356

14 FIXED ASSETS

(a)

	Land and buildings $'000	Plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles and yacht $'000	Total $'000
Cost or valuation:					
At 1 April 2003	220,275	183,564	46,822	12,389	463,050
Additions	35,932	36,100	15,869	1,527	89,428
At 31 March 2004	256,207	219,664	62,691	13,916	552,478
Representing:					
At cost	–	219,664	62,691	13,916	296,271
At valuation	256,207	–	–	–	256,207
	256,207	219,664	62,691	13,916	552,478
Accumulated depreciation:					
At 1 April 2003	10,310	130,626	36,894	12,155	189,985
Charge for the year	4,993	22,963	5,466	340	33,762
At 31 March 2004	15,303	153,589	42,360	12,495	223,747
Net book value:					
At 31 March 2004	240,904	66,075	20,331	1,421	328,731
At 31 March 2003	209,965	52,938	9,928	234	273,065

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 FIXED ASSETS *(continued)*

(b) An analysis of net book value of properties is as follows:

	2004	2003
	$'000	*$'000*
In Hong Kong		
– Medium-term leases #	**13,518**	13,831
In PRC, other than Hong Kong		
– Medium-term leases #	**25,893**	26,543
In Cambodia		
– Long term leases #	**201,493**	169,591
	240,904	209,965

\# *Medium-term leases represent leases with an unexpired period of less than 50 years but not less than 10 years. Long term leases represent leases with an unexpired period of not less than 50 years.*

Pursuant to certain non-cancellable long lease agreements, the Company's subsidiaries in Cambodia leased two parcels of land from the Government of Cambodia for a period of 70 years beginning in April and September 1994 respectively, in consideration of pre-determined fixed annual rents totalling approximately $55,057,000 plus contingent rents at 0.3% of the annual net profits of the subsidiaries. Pursuant to the lease agreements, the subsidiaries' title to fixtures erected on the relevant land will be surrendered to the Government of Cambodia upon expiry of the respective leases. The Group's interests in such land have been recognised as leased assets and its corresponding lease obligations have been recognised as liabilities based on the accounting policy set out in Note 2(f).

In addition, pursuant to the lease agreements dated 26 July 2000, the Company's subsidiaries in Cambodia leased another two parcels of land in Cambodia from Tack Fat Investment Co., Ltd ("Tack Fat Investment"), for a period of 70 years beginning in July 2000 with an option to renew, at an aggregate consideration of $58,964,000. Such consideration was determined based on the purchase price borne by Tack Fat Investment which approximated the open market value.

In respect of the Group's properties in the PRC, other than Hong Kong, the Group has been granted the right to use the land by the relevant PRC authorities for a period of 50 years, which expires in April 2044.

14 FIXED ASSETS *(continued)*

(c) The Group's land and buildings at 31 January 2002 were revalued by American Appraisal Hongkong Limited, an independent firm of professional valuers in Hong Kong at their open market value. The revaluation surpluses of $16,849,000 were transferred to the land and buildings revaluation reserve of the Group (Note 31).

The carrying amount of the land and buildings held for own use of the Group at 31 March 2004 would have been approximately $225,327,000 (2003: $193,701,000) had they been carried at cost less accumulated depreciation.

(d) The Group leases plant and machinery, office equipment and lands under finance leases expiring from one to seventy years. In accordance with the relevant lease agreements for plant and machinery and office equipment, the Group has the option to purchase the leased assets at a price deemed to be a bargain purchase option at the end of the lease term.

For the year ended 31 March 2004, contingent rentals incurred by the Group in respect of the leases of land from the Government of Cambodia amounted to $201,000 (2003: $161,000). Except for these, none of the leases of the Group includes contingent rentals.

As at 31 March 2004, the net book value of fixed assets held under finance leases were as follows:

	2004	2003
	$'000	*$'000*
Land and buildings	**32,032**	32,659
Plant and machinery	**40,901**	17,753
Furniture, fixtures and office equipment	**47**	933
	72,980	51,345

(e) Certain fixed assets of the Group were pledged to secure mortgaged loans and other banking facilities granted to the Group as follows:

	2004	2003
	$'000	*$'000*
Net book value of pledged fixed assets	**–**	13,831

(Expressed in Hong Kong dollars)

15 INTANGIBLE ASSETS

	2004	2003
	$'000	*$'000*
Permanent textile quota		
Cost		
At 1 April	**13,648**	13,648
Additions	**–**	–
At 31 March	**13,648**	13,648
Accumulated amortisation		
At 1 April	**12,352**	8,363
Charge for the year	**1,296**	3,989
At 31 March	**13,648**	12,352
Net book value	**–**	1,296

16 INVESTMENTS IN SUBSIDIARIES

	2004	2003
	$'000	*$'000*
Unlisted shares, at cost	**228,300**	228,300

All of these are subsidiaries as defined under Note 2(c) and have been consolidated into the Group's financial statements.

16 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a Subsidiary	Principal activities
Tack Fat Swimwear Manufacturing Limited	Hong Kong	1,000 non-voting deferred shares of $10,000 each 2 ordinary shares of $10,000 each	–	100	Manufacturing and sale of garments
Tack Fat Manufacturing Factory Limited	Hong Kong	2 ordinary shares of $10 each	–	100	Trading of fabric and other materials
Chiu Wing Enterprise Company Limited	Hong Kong	3,000 non-voting deferred shares of $1,000 each 2 ordinary shares of $1,000 each	–	100	Property holding
Luoding Hua Tian Long Garment Ltd. *(Note (i))*	PRC	US$2,466,782	–	100	Manufacturing of garments
Tack Fat Garment (Cambodia) Ltd. *(Note (ii))*	Cambodia	US$3,000,000	–	100	Manufacturing of garments
Cambodia Sportswear Mfg. Ltd. *(Note (ii))*	Cambodia	US$2,400,000	–	100	Manufacturing of garments
Supertex Limited *(Note (ii))*	Cambodia	US$250,000	–	100	Manufacturing of garments

(Expressed in Hong Kong dollars)

16 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a Subsidiary	Principal activities
Tack Fat International Holdings Limited	Hong Kong	10,000 non-voting deferred shares of $1 each 2 ordinary shares of $1 each	–	100	Investment holding
Lantern Services Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Ever Century Holdings Limited	British Virgin Islands/ Hong Kong	700 ordinary shares of US$1 each	100	–	Investment holding
Potter Industries Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Trading of packing materials
Blue Cat Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	–	100	Manufacturing of "Blue Cat" apparel
Newest Global Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	–	100	Investment holding

Notes:

(i) This entity is a wholly foreign owned enterprise established in the PRC.

(ii) These entities are wholly foreign owned limited companies incorporated pursuant to the Law on Investment in the Kingdom of Cambodia and the Law Bearing Upon Commercial Regulation and the Commercial Register.

17 OTHER FINANCIAL ASSETS

	2004 $'000	2003 $'000
Investment securities – unlisted equity shares, at cost	15,300	300
Club debentures	1,100	1,216
	16,400	1,516

18 INVENTORIES

	2004 $'000	2003 $'000
Raw materials	114,579	106,019
Work in progress	46,032	43,863
Finished goods	22,399	17,836
	183,010	167,718

None of the inventories is stated at net realisable value.

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Trade receivables	149,882	121,753	–	–
Deposits with subcontractors for manufacturing of garments	57,121	7,917	–	–
Refundable acquisition deposit	58,804	–	–	–
Other prepayments and receivables	29,956	2,054	4,962	–
	295,763	131,724	4,962	–

19 TRADE AND OTHER RECEIVABLES *(continued)*

Credit terms granted by the Group to customers generally range from one to three months. Included in trade receivables are balances (stated after provisions for doubtful debts) with the following ageing analysis:

	2004	2003
	$'000	*$'000*
Within 3 months	**149,882**	121,753

As at 31 March 2004, the Group placed a refundable deposit of $58,804,000 with Sino Legend Limited, an independent third party in connection with the proposed acquisition of an equity interest in Mudd (USA) LLC (Note 36(b)). In May 2004, the Group applied part of the deposit of approximately $26,000,000 in settlement of an equivalent amount of consideration payable to Sino Legend Limited in consummation of the acquisition. The remaining balance of such deposit has subsequently been refunded to the Group.

All the trade and other receivables are expected to be recovered within one year.

20 AMOUNTS DUE FROM/TO SUBSIDIARIES

An amount due from subsidiary of $160,200,000 (2003: $128,374,000) is unsecured, bears interest at 4% per annum and has no fixed terms of repayment. The remaining balance is unsecured, interest free and has no fixed terms of repayment.

The amount due to subsidiary is unsecured, interest free and has no fixed terms of repayment.

21 CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**349,626**	15,460	**–**	–
Cash at bank and in hand	**14,529**	51,451	**82**	10
Cash and cash equivalents in the balance sheet	**364,155**	66,911	**82**	10
Bank overdrafts *(Note 23)*	**(544)**	(443)		
Cash and cash equivalents in the cash flow statement	**363,611**	66,468		

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Bills payable	**12,822**	11,283	**–**	–
Trade payables	**38,099**	38,589	**–**	–
Accrued expenses and other payables	**13,714**	12,376	**868**	290
	64,635	62,248	**868**	290

The credit terms obtained by the Group generally range from 30 days to 180 days. Included in trade payables are balances with the following ageing analysis:

	2004	2003
	$'000	*$'000*
Due within 1 month or on demand	**10,037**	10,520
Due after 1 month but within 3 months	**16,855**	12,104
Due after 3 months but within 6 months	**11,181**	12,959
Due after 6 months but within 1 year	**26**	3,006
	38,099	38,589

All of the above balances are expected to be settled within one year.

(Expressed in Hong Kong dollars)

23 BANK LOANS AND OVERDRAFTS

At 31 March 2004, the bank loans and overdrafts were repayable as follows:

	2004	2003
	$'000	*$'000*
Within 1 year or on demand	**141,067**	143,094
After 1 year but within 2 years	**125,500**	5,008
After 2 years but within 5 years	**244,500**	–
	370,000	5,008
	511,067	148,102

The bank loans and overdrafts were secured as follows:

	2004	2003
	$'000	*$'000*
Secured bank borrowings		
Bank overdrafts *(Note 21)*	**544**	443
Trust receipt loans	**118,473**	106,381
Export finance loans	**18,075**	12,991
Term loans	**373,975**	12,821
	511,067	132,636
Unsecured term loans	**–**	15,466
	511,067	148,102

The banking facilities of the Group were secured by the following:

(i) Pledge of bank deposits totalling $27,745,000 (2003: $71,965,000); and

(ii) Corporate guarantees issued by the Company.

Certain banking facilities included financial covenants and minimum shareholding requirements required to be complied by the Group and certain principal shareholders of the Company respectively.

24 CONVERTIBLE BONDS

	2004	2003
	$'000	*$'000*
Unlisted and unsecured redeemable convertible bonds	**20,280**	27,300

On 19 December 2002, the Company entered into a subscription agreement (the "Subscription Agreement") with an independent third party under which the Company agreed to issue unlisted and unsecured redeemable convertible bonds ("the Bonds") up to an amount of US$12,000,000 (approximately $93,600,000). The Bonds bear interest at 2.5% per annum payable semi-annually in arrears. The Bonds are required to be redeemed at 100% of their principal amount on 19 December 2005 unless previously redeemed, converted or purchased and cancelled. A bondholder may convert the Bonds into new shares of $0.10 each in the Company at such conversion prices to be determined in accordance with the terms of the Subscription Agreement during the conversion period, which ends one week immediately prior to 19 December 2005. If the share price of the Company falls below certain predetermined amounts, the Company may redeem the Bonds at a price equivalent to the aggregate of 100% of the principal amount of the Bonds to be redeemed and interest at 9% per annum.

Pursuant to the Subscription Agreement, the Company issued the Original Tranche 1 Bonds of US$4,000,000 (approximately $31,200,000) and Additional Tranche 1 Bonds of US$4,000,000 (approximately $31,200,000) on 19 December 2002 and 3 October 2003 respectively. Up to the date of approval of these financial statements, no further issue of the Bonds has been made by the Company.

Up to 31 March 2004, an aggregate amount of US$3,900,000 (approximately $30,420,000) and US$1,500,000 (approximately $11,700,000) respectively out of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds were converted into 52,408,000 ordinary shares and 18,424,000 ordinary shares respectively of the Company (Note 30). Subsequent to 31 March 2004 and up to the date of approval of these financial statements, an additional aggregate amount of US$300,000 (approximately $2,340,000) out of the Additional Tranche 1 Bonds was converted into 4,024,000 shares of the Company.

Furthermore, the holders of the Original Tranche 1 Bonds and Additional Tranche 1 Bonds were granted the rights to subscribe for a total of 23,488,000 new shares of the Company at a fixed price of $0.531 per share. On 5 June 2003, 11,744,000 new shares of the Company were issued upon exercise of the share subscription rights granted to the bondholder for Original Tranche 1 Bonds (Note 30). Subsequent to 31 March 2004 and up to the date of approval of these financial statements, 6,216,000 new shares of the Company were issued upon exercise of the share subscription rights granted to the bondholder for Additional Tranche 1 Bonds.

(Expressed in Hong Kong dollars)

25 OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2004, the Group had obligations under finance leases repayable as follows:

	Present value of minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	*$'000*	*$'000*
As at 31 March 2004			
Within 1 year	17,193	696	17,889
After 1 year but within 2 years	8,557	413	8,970
After 2 years but within 5 years	795	1,062	1,857
After 5 years	34,821	11,758	46,579
	44,173	13,233	57,406
	61,366	13,929	75,295
As at 31 March 2003			
Within 1 year	8,308	659	8,967
After 1 year but within 2 years	2,672	387	3,059
After 2 years but within 5 years	798	1,070	1,868
After 5 years	35,103	12,109	47,212
	38,573	13,566	52,139
	46,881	14,225	61,106

As at 31 March 2004, certain finance lease obligations were secured by corporate guarantees issued by the Company.

26 PROVISION FOR LONG SERVICE PAYMENTS

	$'000
At 31 March 2003 and 2004	1,800

According to Part VB of the Employment Ordinance ("the Ordinance"), the Company is liable to make long service payments to the employees who have completed the required number of years of service on termination of their employment and where the termination of employment meets the required circumstances as specified in the Ordinance.

At 31 March 2004, a provision of $1,800,000 (2003: $1,800,000) has been made by the Company based on the best estimate of the long service payments that are required to be made to employees in respect of their service to date, less any amounts that would be expected to be met out of the Company's mandatory provident fund contributions.

27 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its eligible employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

In addition, the Group's subsidiary in the PRC participates in a defined contribution retirement scheme organised by the PRC municipal government. The subsidiary is required to make contributions at 18% of the relevant PRC employees' salaries to the scheme.

The Group is not required to operate a retirement scheme for its employees in Cambodia.

Save as disclosed above, the Group has no other obligations to make payments in respect of retirement benefits of the employees.

28 EQUITY COMPENSATION BENEFITS

The Company has conditionally adopted a share option scheme approved by way of written resolution on 11 April 2002 under which the directors of the Company may invite any full-time employees, directors (including executive directors, non-executive directors and independent non-executive directors) and part-time employees of the Group with weekly working hours of 10 hours and above, any advisers (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the Group from time to time to take up options to subscribe for shares of the Company.

The exercise price is determined by the board of directors at its absolute discretion and notified to each option holder but shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the SEHK on the date of grant, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the SEHK for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share on the date of grant. The options may be exercised in accordance with the terms of the share option scheme at any time during a period to be notified by the board of directors to each option holder but may not be exercised after the expiry of ten years from the date of grant. The board of directors may provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one share.

On 7 November 2002, the Company has granted 132,800,000 options at a nominal consideration under the share option scheme to certain employees of the Group to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share of the Company at a subscription price of $0.465 with exercisable period from 7 November 2002 to 6 November 2004. None of the share options granted by the Company has been exercised during the year and up to the date of approval of these financial statements.

29 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	2004	2003
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**6,303**	5,746
Provisional Profits Tax paid	**(3,168)**	(4,779)
	3,135	967
Balance of Profits Tax provision relating to prior years	**–**	1,379
Balance of PRC income tax provision relating to prior years	**28**	28
	3,163	2,374
Amount of taxation payable expected to be settled after more than 1 year	**–**	–

29 INCOME TAX IN THE BALANCE SHEET *(continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation $'000	Revaluation of properties $'000	Total $'000
Deferred tax arising from:			
At 1 April 2002			
– as previously reported	(1,445)	–	(1,445)
– prior period adjustments	268	3,499	3,767
– as restated	(1,177)	3,499	2,322
Charged to consolidated income statement	4,462	–	4,462
At 31 March 2003 (restated)	3,285	3,499	6,784
At 1 April 2003			
– as previously reported	3,004	–	3,004
– prior period adjustments	281	3,499	3,780
– as restated	3,285	3,499	6,784
Charged to consolidated income statement	3,712	–	3,712
At 31 March 2004	6,997	3,499	10,496

	2004 $'000	2003 $'000 restated
Net deferred tax asset recognised on the balance sheet	**(2,342)**	(3,161)
Net deferred tax liability recognised on the balance sheet	**12,838**	9,945
	10,496	6,784

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL

	$'000
Authorised:	
2,000,000,000 ordinary shares of $0.1 each	200,000
Issued and fully paid:	
1,410,576,000 ordinary shares of $0.1 each	141,058

The following is a summary of movements in the authorised and issued share capital of the Company:

	Note	**2004** Number of ordinary shares of $0.1 each	**2004 $'000**	2003 Number of ordinary shares of $0.1 each	2003 $'000
Authorised:					
At 1 April	*(a)*	**2,000,000,000**	**200,000**	3,800,000	380
Increase in authorised share capital	*(c)*	**–**	**–**	1,996,200,000	199,620
At 31 March		**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:					
Ordinary shares issued on incorporation as part of the consideration for the acquisition of the entire issued share capital of Ever Century	*(b)*			1,000,000	100
Ordinary shares issued as the remaining consideration for the acquisition of the entire issued share capital of Ever Century	*(d)*			65,000,000	6,500
Share capital/proforma share capital at 1 April		**1,335,568,000**	**133,557**	66,000,000	6,600
New issue on public offer and placing	*(e)*	**–**	**–**	256,000,000	25,600
Capitalisation of share premium account and retained earnings	*(f)*	**–**	**–**	958,000,000	95,800
Exercise of over-allotment option	*(g)*	**–**	**–**	48,000,000	4,800
Conversion of convertible bonds	*(h)*	**63,264,000**	**6,327**	7,568,000	757
Exercise of share option	*(i)*	**11,744,000**	**1,174**	–	–
Share capital at 31 March		**1,410,576,000**	**141,058**	1,335,568,000	133,557

30 SHARE CAPITAL *(continued)*

During the period from 12 March 2001 (date of incorporation) to 31 March 2004, the following changes in the Company's authorised and issued share capital were recorded:

(a) On 12 March 2001, the Company was incorporated with an authorised share capital of $380,000 divided into 3,800,000 ordinary shares of $0.1 each.

(b) On 26 March 2001, one ordinary share was allotted and issued nil paid to the initial subscriber. On the same date, an additional 999,999 ordinary shares were allotted and issued nil paid.

(c) On 11 April 2002, pursuant to written resolutions of all the shareholders of the Company, the authorised share capital of the Company was increased from $380,000 to $200,000,000 by the creation of 1,996,200,000 additional ordinary shares of $0.1 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

(d) On 11 April 2002, pursuant to the reorganisation described in Note 1 on the financial statements, the Company allotted and issued 65,000,000 ordinary shares of $0.1 each, credited as fully paid, and also credited as fully paid the 1,000,000 ordinary shares of $0.1 each issued as set out in (b) above, in consideration for the acquisition of the entire issued share capital of Ever Century.

(e) On 26 April 2002, 256,000,000 ordinary shares of $0.1 each were issued to the public at $0.385 each for a total cash consideration of $98,560,000 before the related issue expenses.

(f) On 11 April 2002, conditional on the share premium account of the Company being credited as a result of the issue of new ordinary shares to the public as mentioned in (e) above, a total of 958,000,000 ordinary shares of $0.1 each were allotted as fully paid at par to the shareholders whose names appeared on the register of members of the Company at that date, in proportion to their respective shareholdings by way of capitalisation of the sum of $67,880,000 and $27,920,000 standing to the credit of the share premium account and retained earnings account of the Group respectively.

(g) On 15 May 2002, the over-allotment option granted by the Company referred to in the prospectus was exercised in full. An additional new 48,000,000 ordinary shares of $0.1 each were issued at $0.385 each to meet the over-allocations in the placing.

(h) During the year, convertible bonds under the Original Tranche 1 and Additional Tranche 1 totalling US$4,900,000 (approximately $38,220,000) (2003: US$500,000 (approximately $3,900,000)) were converted into 63,264,000 ordinary shares (2003: 7,568,000 ordinary shares) of $0.1 each (Note 24).

(i) On 5 June 2003, 11,744,000 ordinary shares of par value of $0.10 each were issued at $0.531 upon exercise of the share subscription rights granted to the holders of the convertible bonds.

31 RESERVES

(a) The Group

	Share premium	Land and buildings revaluation reserve	Contributed surplus	PRC statutory reserve	Retained earnings	Total
		(Note (i))	*(Note (ii))*	*(Note (iii))*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 April 2002						
– as previously reported	–	16,849	6,400	19	206,732	230,000
– prior period adjustments in respect of deferred tax *(Note 12)*	–	(3,499)	–	–	(268)	(3,767)
– as restated	–	13,350	6,400	19	206,464	226,233
Dividend approved in respect of the previous year *(Note 10)*	–	–	–	–	(8,300)	(8,300)
New issue of shares on public offer and placement	86,640	–	–	–	–	86,640
Capitalisation issue	(67,880)	–	–	–	(27,920)	(95,800)
Share issue costs	(18,760)	–	–	–	–	(18,760)
Bonds issue costs	(1,491)	–	–	–	–	(1,491)
Shares issued on conversion of convertible bonds	3,138	–	–	–	–	3,138
Profit for the year	–	–	–	–	104,113	104,113
Profit appropriation to reserve funds	–	–	–	500	(500)	–
Dividend declared in respect of the current year *(Note 10)*	–	–	–	–	(10,624)	(10,624)
At 31 March 2003	1,647	13,350	6,400	519	263,233	285,149

31 RESERVES *(continued)*

(a) The Group *(continued)*

	Share premium	Land and buildings revaluation reserve *(Note (i))*	Contributed surplus *(Note (ii))*	PRC statutory reserve *(Note (iii))*	Retained earnings	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 April 2003						
– as previously reported	1,647	16,849	6,400	519	263,514	288,929
– prior period adjustments in respect of deferred tax *(Note 12)*	–	(3,499)	–	–	(281)	(3,780)
– as restated	1,647	13,350	6,400	519	263,233	285,149
Dividend approved in respect of the previous year *(Note 10)*	–	–	–	–	(27,461)	(27,461)
Share premium on conversion of convertible bonds *(Note 24)*	31,813	–	–	–	–	31,813
Share premium on exercise of share subscription rights	5,062	–	–	–	–	5,062
Share issue costs	(1,111)	–	–	-	–	(1,111)
Transfer on disposal of a subsidiary	–	–	–	(500)	500	–
Profit for the year	–	–	–	–	121,049	121,049
Dividend declared in respect of the current year *(Note 10)*	–	–	–	–	(12,562)	(12,562)
At 31 March 2004	37,411	13,350	6,400	19	344,759	401,939

Notes:

(i) The land and buildings revaluation reserve has been set up and will be dealt with in accordance with the accounting policy adopted for the revaluation of land and buildings held for own use (Note 2(e)).

(ii) The excess of the nominal value of shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the shares of the Company issued in exchange is credited to the contributed surplus.

(iii) In accordance with the relevant PRC laws applicable to enterprises with foreign investment, the Company's subsidiary in the PRC is required to transfer at least 10% of its annual net profit determined under PRC accounting regulations to the general reserve. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.

(Expressed in Hong Kong dollars)

31 RESERVES *(continued)*

(b) The Company

	Share premium *(Note (i))* *$'000*	Contributed surplus *(Note (ii))* *$'000*	Retained earnings *$'000*	Total *$'000*
At 1 April 2002	–	–	–	–
Surplus arising on acquisition of the entire share capital of Ever Century	–	230,000	–	230,000
New issue of shares on public offer and placement	86,640	–	–	86,640
Capitalisation issue	(67,880)	(27,920)	–	(95,800)
Share issue costs	(18,760)	–	–	(18,760)
Dividends approved in respect of the previous year *(Note 10)*	–	(8,300)	–	(8,300)
Bonds issue costs	(1,491)	–	–	(1,491)
Shares issued on conversion of convertible bonds *(Note 24)*	3,138	–	–	3,138
Profit for the year	–	–	11,953	11,953
Dividend declared in respect of the current year *(Note 10)*	–	–	(10,624)	(10,624)
At 31 March 2003	1,647	193,780	1,329	196,756
At 1 April 2003	1,647	193,780	1,329	196,756
Dividend approved in respect of the previous year	–	–	(27,461)	(27,461)
Share premium on conversion of convertible bonds *(Note 24)*	31,813	–	–	31,813
Share premium on exercise of share subscription rights	5,062	–	–	5,062
Share issue costs	(1,111)	–	–	(1,111)
Profit for the year	–	–	42,059	42,059
Dividends declared in respect of the current year *(Note 10)*	–	–	(12,562)	(12,562)
At 31 March 2004	37,411	193,780	3,365	234,556

31 RESERVES *(continued)*

(b) The Company *(continued)*

Notes:

(i) In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) The contributed surplus represents the difference between the combined net asset value of the subsidiaries acquired pursuant to the reorganisation, as set out in Note 1 to the financial statements, over the nominal value of the shares of the Company issued in exchange therefor. The application of contributed surplus is the same as the share premium.

(iii) At 31 March 2004, the aggregate amount of reserves available for distribution to shareholders of the Company was $234,556,000 (2003: $196,756,000). After the balance sheet date, the directors proposed a final dividend of 2 cents per share (2003: 2 cents per share), amounting to $28,416,000 (2003: $27,393,000). This dividend has not been recognised as a liability at the balance sheet date.

32 SUPPLEMENTARY INFORMATION FOR CASH FLOW STATEMENT

(a) Dispoasl of subsidieries

In April 2003, the Group disposed of two wholly-owned subsidiaries, Blue Cat Enterprises (HK) Limited and 藍貓製衣企業(羅定)有限公司, to an independent third party for an aggregate cash consideration of $11,068,000 which was determined based on the net assets value of the subsidiaries at the date of disposal. No material gains or losses were recorded by the Group in respect of the disposal of subsidiaries.

	$'000
Net assets disposed of:	
Cash and bank balances	9,518
Trade and other receivables	3,181
Trade and other payables	(1,631)
Net identifiable assets	11,068
Disposal proceeds	11,068
Less: Cash of subsidiaries disposed	(9,518)
Net cash inflow in respect of disposal of subsidiaries	1,550

(b) Significant non-cash transactions

	2004 **$'000**	2003 *$'000*
Purchase of fixed assets under finance leases	**28,562**	8,320

(Expressed in Hong Kong dollars)

33 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2004 not provided for in the financial statements were as follows:

	The Group	
	2004	2003
	$'000	*$'000*
Contracted for	**841**	5,535
Authorised but not contracted for	**3,590**	–
	4,431	5,535

(b) At 31 March 2004, the total future minimum lease payments under non-cancellable operating leases relating to properties are repayable as follows:

	The Group	
	2004	2003
	$'000	*$'000*
Within 1 year	**2,225**	2,132

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

34 CONTINGENT LIABILITIES

(a) At 31 March 2004, the Group had contingent liabilities in respect of the following:

	2004 *$'000*	2003 *$'000*
Bills discounted with recourse	**15,049**	55,545

(b) A writ of summons dated 29 February 2000 was filed by a supplier of the Group against Tack Fat Swimwear Manufacturing Limited, a wholly-owned subsidiary of the Company, claiming a sum of US$202,850 (equivalent to $1,582,000) for an alleged breach of the payment terms under certain purchase contracts. Based on the advice obtained from the legal advisers acting for Tack Fat Swimwear Manufacturing Limited, the directors of the Company are of the view that Tack Fat Swimwear Manufacturing Limited has a valid defence and counterclaim against the supplier. Consequently, no provision for such litigation or the associated legal costs has been included in the financial statements.

(c) As at 31 March 2004, the Company issued letters of guarantee in respect of bank facilities totalling $852,068,000 (2003: $489,650,000) granted to a wholly-owned subsidiary of the Company.

35 RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with related parties which in the opinion of the directors of the Company, were carried out on normal commercial terms and in the ordinary course of the business of the Group.

	Note	2004 *$'000*	2003 *$'000*
Warehouse rentals	*(i)*	**372**	372
Directors' quarters rentals paid to	*(ii)*		
– Jumbo Team		**816**	816
– Granco		**816**	816
Guangzhou office rentals	*(iii)*	**490**	490
Sales of "Blue Cat" apparel	*(iv)*	**25,907**	23,124

Notes:

(i) The Group entered into lease arrangements with Mr Kwok Wing, a director of the Company, and his mother for leasing of a warehouse. The lease currently in force expires on 22 October 2004 and the monthly rental payable by the Group under such lease is $31,000, which was determined by reference to open market value.

(ii) The Group had a lease arrangement with Jumbo Team Development Limited ("Jumbo Team") and Granco Enterprises Limited ("Granco") for the provision of directors' quarters to the Group. Both Granco and Jumbo Team are jointly owned by Mr Kwok Wing and his brother. On 5 March 2004, the leases with Granco and Jumbo Team were renewed for a period of one year beginning on 1 April 2004. The monthly rental payable by the Group under each of the new leases is $68,000, which was determined by reference to open market value.

35 RELATED PARTY TRANSACTIONS *(continued)*

Notes: (continued)

(iii) The Group had a lease arrangement with Guangzhou Tack Fat Construction Co., Ltd., a company which is controlled by Mr Kwok Wing and his brother for leasing of an office property in Guangzhou, the PRC. The lease currently in force expires on 26 October 2004 and the monthly rental payable by the Group under such lease is approximately RMB43,000 which was determined by reference to open market value.

(iv) Pursuant to an exclusive manufacturing agreement dated 25 March 2002 entered into between the Group and Blue Cat Development Limited ("Blue Cat Development") for manufacturing clothing and apparel accessories in relation to the Blue Cat cartoon characters, the Group sold "Blue Cat" apparel to Blue Cat Development totalling $25,907,000 during the year (2003: $23,124,000). The terms of last year's sales were similar to that provided by the Group to independent customers. Mr Kwok Wing has a 51% equity interest in Blue Cat Development.

36 POST BALANCE SHEET EVENTS

(a) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in Note 10.

(b) On 21 May 2004, the Group entered into a subscription agreement with Sino Legend Limited, an independent third party to subscribe for 83,333 Class A Preferred Shares of US$0.1 each in the share capital of Sino Legend Limited, representing approximately a 6.94% equity interest in Sino Legend Limited at a cash consideration of US$3,333,320 (approximately $26,000,000). Sino Legend Limited holds a 72% interest in Mudd (USA) LLC ("Mudd") which is principally engaged in the business of designing, manufacturing and selling denim jeans and other products through brands in the United States of America and Canada. In addition, on the same date, the Group entered into an exclusive manufacturing and financing agreement with Mudd, under which the Group shall provide exclusive manufacturing services to Mudd, either through owned facilities or subcontractors for a period of five years.

(c) On 26 July 2004, the Group entered into a conditional sale and purchase agreement with Lung Investment Holding, LLC under which the Group has proposed to acquire an additional 43.06% equity interest in Sino Legend Limited (equivalent to 31% effective interest in Mudd at a cash consideration of US$53,000,000 (approximately $413,400,000). Such acquisition which constitutes a very substantial acquisition under the Main Board Listing Rules of the SEHK is subject to, amongst other conditions, approval of shareholders of the Company in an extraordinary general meeting to be convened in due course. Upon completion of the proposed acquisition, the Group will hold 36% effective interest in Mudd, which will become an associated company of the Group. Further information about the proposed acquisition will be set out in a circular to be delivered to the Company's shareholders. In addition, on the same date, the Company entered into a heads of agreement with SinoPac Securities (Asia) Limited for the placing of 1% convertible notes due 2009 in the aggregate principle amount of US$30,000,000 (approximately $234,000,000).

37 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for deferred taxation, details of which are set out in Note 12.