



Takson Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report And Condensed Interim Accounts

For the six months ended 30th September, 2004

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MANAGEMENT COMMENTARY

The Board of Directors of Takson Holdings Limited (the “Company”) presents the interim report and the unaudited condensed interim accounts of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September, 2004 (“Review Period”).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In line with the business strategy stated in the Annual Report 2003/04, the Group has continued to expand the sales network in the PRC for its Licenses Business and targeted on sourcing premium quality products for its quality oriented customers of the Export Business.

During the Review Period, the Group has delivered a turnover of approximately HK\$84.3 million, compared with approximately HK\$147.6 million in the corresponding period last year. The gross profit margin percentage significantly improved from 12.2% in last year to 29.7% in this year. Net profit attributable to shareholders was recorded as approximately HK\$1.4 million, compared with HK\$0.8 million in the corresponding period last year.

Licensee Business

Amid the high atmosphere resulting from the China Olympic Team having obtained 32 gold medals, ranked number two on the gold medal list, in the Athen 2004 Olympic Games, the Group has continued to develop its licensee business for sporting goods. During the Review Period, the sales network for distributing HEAD® products has been expanded and the number of sales outlets has been increased from 12 to 19, covering the cities including Shanghai, Beijing, Dalian, Ningbo, Wuhan and Hong Kong. In September 2004, the Group has appointed the first distributor dealing HEAD® products in Shenyang. In the coming period, the sales management of the Group will continue to appoint more distributors for HEAD® products in different cities in the PRC in order to speed up the expansion of the sales network. In addition, the management has enriched HEAD® product line by adding more non-apparel items, for example, shoes and tennis racquets, to the product collections. The management believes that this will significantly increase the sales turnover of the HEAD® products.

During the Review Period, the turnover of Licensee Business recorded a turnover of approximately HK\$3.9 million, compared with approximately HK\$0.8 million in the corresponding period last year. In terms of gross margin, the gross profit percentage of Licensee Business was approximately 57.2% compared with 30.6% in last year. The improvement of gross profit margin was mainly due to the increase in economies of scale.

Export Business

Under the very competitive market, the management has successfully shifted its customer base of Export Business to the class offering higher price in exchange for premium services. As a result, the gross profit margin has significantly increased to 28.3% from 12.1% recorded in the corresponding period last year while the turnover of Export Business decreased to approximately HK\$80.3 million, compared with approximately of HK\$146.8 million in last year. In spite of the decreased turnover of Export Business, the gross profit of Export Business still increased to approximately HK\$22.7 million, representing an increase of approximately 27.7% compared with the corresponding period last year.

Regarding the sales orders of approximately HK\$93.2 million as mentioned in the 2003/04 annual report, sales of approximately HK\$80.3 million have been recorded during the Review Period while the remaining orders will be shipped in the second half of the financial year.

New Shanghai Office

In October 2003, a subsidiary of the Company entered into purchase contracts with an independent property developer to purchase certain office units in Shanghai at a consideration of approximately RMB15.6 million (equivalent to approximately HK\$14.7 million). The handover of the newly acquired office located in Chang Ning District of Shanghai was completed on 5th August, 2004 and the operation in Shanghai has been moved into the new office since 5th October, 2004. After the moving, certain business processes in Hong Kong will be relocated to Shanghai in order to achieve overhead saving and uplift of operational efficiency.

Prospects

The management believes that the outstanding result obtained by the China Olympic Team in 2004 Athen Olympic Games will enforce the China government's commitment on the preparation for the 2008 Beijing Olympic Games. It is expected that a mania for sporting events will be raised in the coming few years in the PRC, during which the Licensee Business of the Group will benefit. In addition, the Group is actively negotiating with the owners of various international brands for the manufacture and distribution of their products in the Greater China Region. The Group is also looking for opportunities to penetrating into different market for distributing its licensed products in the PRC by alliances and acquisitions.

For the Export Business, while maintaining current customers base, the sales management will continue to look for more quality-oriented customers and sourcing other non-outerwear textiles products in order to sustain the growth in turnover and minimize the seasonality impact.

In summary, the management are optimistic of the current development both in the Licensee Business and Export Business that will bring tangible rewards to the Group.

SEASONALITY OF INTERIM OPERATIONS

The Group's peak season of Export Business falls into the period from July to October each year as the down-filled or polyester-filled outerwear garments are shipped to meet the fall/winter seasons in the USA. Some light-weighted garments will be shipped to the USA from December each year to March of the following year to meet the spring season.

As compared with the respective balances as at 31st March, 2004, the increase in trade receivables, trade payables and accrued charges as well as trust receipts and other bank loans as at 30th September, 2004 reflected the Group's high turnover volume during the peak season and these balances will drop to a lower level at the coming year end date of 31st March, 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with its own working capital and other banking facilities provided by its principal bankers in Hong Kong.

The Group's net borrowings representing bank loans, overdrafts and obligations under finance leases amounted to approximately HK\$78.5 million. Of the total amounts of bank loans, overdrafts and obligations under finance leases outstanding as at the end of the Review Period, 85.8% are repayable within the next year, 3.2% are repayable within the second year and the remaining balance are repayable in the third to fifth year, inclusive. The Group's bank loans and overdrafts are subject to floating interest rates while obligations under finance leases are at fixed interest rates.

As at 31st March, 2004, the Group's gearing ratio was 0.5 which is calculated based on the Group's total liabilities of approximately HK\$26.1 million and shareholders' funds of approximately HK\$50.6 million.

The Group's gearing ratio at 30th September, 2004 was 2.0 which is calculated based on the Group's total liabilities of approximately HK\$103.7 million and shareholders' funds of approximately HK\$52.0 million.

As compared with the balance as at 31st March, 2004, the increase in current liabilities as at 30th September, 2004 reflected the seasonal nature of the Group's operations and this balance will drop to a lower level at the coming financial year end date of 31st March, 2005.

As the Group's earnings and borrowings are primarily denominated in United States dollars, Hong Kong dollars and Renminbi, it has no significant exposure to foreign exchange rate fluctuations. A majority of bank savings was placed into several banks as foreign currency linked deposits denominated in several major currencies which are subject to foreign exchange rate fluctuations. As at 30th September, 2004, such foreign currency linked deposits amounted to approximately HK\$31.1 million.

EMPLOYEES

As at 30th September, 2004, the Group had a total of 207 employees, as compared to 165 employees as of 31st March, 2004. The increase in the number of employees was mainly due to the recruitment of new employees by the joint venture enterprise which is a subsidiary of the Group in Wuhan for HEAD®'s licensee business. Staff costs including directors' remuneration totalled HK\$10.7 million and HK\$9.9 million for the six months ended 30th September, 2004 and 2003, respectively. The Group's employment and remuneration policies have remained unchanged with those described in the 2003/2004 annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th September, 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th September, 2004 was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangement to enable the directors and chief executives or their spouse or children under 18 years of age of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30th September, 2004, the interests and long positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Long Position

Name of directors	Number of ordinary shares beneficially held					Percentage of holding
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000 <i>(Note 1)</i>	—	250,618,000	64.3%
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000 <i>(Note 1)</i>	—	250,618,000	64.3%

Note:

- The references to 237,600,000 shares relate to the same block of shares in the Company. Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. (“WII”) as trustee of the Wangkin Investments Unit Trust (the “Unit Trust”). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the “Family Trust”). The discretionary beneficiaries of the Family Trust are, inter alia, Ms Pang Shu Yuk, Adeline Rita, Mr Wong Chi Wang, Calvin, and Mr Wong Chi Kin, Christopher, being the spouse and the children of Mr Wong Tek Sun, Takson, respectively.

Mr Wong Tek Sun, Takson, owns 50% of the issued share capital of WII and his children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, he is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Ms Pang Shu Yuk, Adeline Rita, owns 50% of the issued share capital of WII and she and her children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, she is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Save as disclosed above, as at 30th September, 2004, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests or short positions in the shares, or underlying shares in, or debentures of, the Company or of any of its associated corporations (within the meaning of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO showed that as at 30th September, 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of substantial shareholders	Number of ordinary shares held	Percentage of holding
Wangkin Investments Inc. (<i>Note</i>)	237,600,000	61.0%
Takson International Holdings Limited (<i>Note</i>)	237,600,000	61.0%

Note: Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.

Save as disclosed herein, as at 30th September, 2004, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO as having an interest or short position in 5% or more of the issued share capital of the Company.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September, 2004, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report and the unaudited condensed interim accounts for the six months ended 30th September, 2004 with the directors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended	
		30th September,	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	84,268	147,620
Cost of sales		(59,281)	(129,593)
Gross profit		24,987	18,027
Other revenues		1,375	2,221
Distribution costs		(5,255)	(3,136)
Administrative expenses		(19,161)	(16,184)
Operating profit	3	1,946	928
Finance costs		(818)	(735)
Profit before taxation		1,128	193
Taxation (charge)/credit	5	(28)	421
Profit after taxation		1,100	614
Minority interests		304	173
Profit attributable to shareholders		1,404	787
Basic earnings per share	7	0.36 cents	0.20 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September, 2004 <i>HK\$'000</i>	Audited 31st March, 2004 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Intangible assets	8	414	498
Fixed assets	9	52,973	37,431
Deposit paid for purchase of office premises		—	5,147
Other investment, at cost		600	600
Deferred tax assets	14	486	621
		<u>54,473</u>	<u>44,297</u>
Current assets			
Inventories		7,195	3,440
Trade receivables	10	36,224	419
Other receivables and prepayments		4,945	4,226
Prepaid tax		107	107
Cash and bank balances		53,165	24,977
		<u>101,636</u>	<u>33,169</u>
Current liabilities			
Trade payables	11	14,515	1,079
Accrued charges		9,341	4,599
Trust receipts and other bank loans	15	47,356	1,657
Current portion of long-term liabilities	13	19,290	13,596
Taxation payable		97	—
Bank overdrafts secured	15	739	594
		<u>91,338</u>	<u>21,525</u>
Net current assets		<u>10,298</u>	<u>11,644</u>
Total assets less current liabilities		<u>64,771</u>	<u>55,941</u>
Financed by:			
Share capital	12	38,950	38,950
Reserves		13,024	11,625
Shareholders' funds		51,974	50,575
Minority interests		425	729
Non-current liabilities			
Long-term liabilities	13	11,808	3,965
Deferred tax liabilities	14	564	672
		<u>64,771</u>	<u>55,941</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Six months ended	
	30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1st April	50,575	65,573
Exchange difference arising on translation of the accounts of overseas subsidiaries	<u>(5)</u>	<u>(5)</u>
Net loss not recognized in the consolidated profit and loss account	<u>(5)</u>	<u>(5)</u>
Profit for the period	<u>1,404</u>	<u>787</u>
Total equity at 30th September	<u>51,974</u>	<u>66,355</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(18,755)	(30,592)
Net cash used in investing activities	(11,620)	(207)
Net cash inflow from financing activities	58,418	64,977
Net increase in pledged time deposit	—	(8)
	<hr/>	<hr/>
Increase in cash and cash equivalents	28,043	34,170
Cash and cash equivalents at 1st April	24,383	33,140
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	52,426	67,310
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	53,165	67,310
Bank overdrafts	(739)	—
	<hr/>	<hr/>
	52,426	67,310
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants.

These condensed interim accounts should be read in conjunction with the 2003/2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments. Revenues recognised during the period are as follows:

By business segment:

	Six months ended 30th September, 2004 <i>HK\$'000</i>		
	Export business	Licensee business	Total
Turnover	<u>80,342</u>	<u>3,926</u>	<u>84,268</u>
Segment operating profit/(loss)	<u>11,247</u>	<u>(5,612)</u>	5,635
Interest income			445
Rental income			832
Unallocated costs			<u>(4,966)</u>
Operating profit			1,946
Finance costs			<u>(818)</u>
Profit before taxation			1,128
Taxation charge			<u>(28)</u>
Profit after taxation			1,100
Minority interests			<u>304</u>
Profit attributable to shareholders			<u>1,404</u>

Six months ended
30th September, 2003

	<i>HK\$'000</i>	<i>HK\$'000</i>	
	Export business	Licensee business	Total
Turnover	<u>146,817</u>	<u>803</u>	<u>147,620</u>
Segment operating profit/(loss)	<u>602</u>	<u>(1,369)</u>	(767)
Interest income			1,448
Rental income			738
Unallocated costs			<u>(491)</u>
Operating profit			928
Finance costs			<u>(735)</u>
Profit before taxation			193
Taxation credit			<u>421</u>
Profit after taxation			614
Minority interests			<u>173</u>
Profit attributable to shareholders			<u><u>787</u></u>

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

By geographical segment:

	Turnover		Segment operating profit	
	Six months ended		Six months ended	
	30th September,		30th September,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	57,819	109,173	8,105	176
Europe	20,574	20,422	362	390
Canada	1,407	14,821	16	340
Hong Kong	1,759	11	(55)	(584)
PRC	2,279	794	(2,803)	(1,136)
Others	430	2,399	10	47
	<u>84,268</u>	<u>147,620</u>	<u>5,635</u>	<u>(767)</u>
Interest income			445	1,448
Rental income			832	738
Unallocated costs			(4,966)	(491)
Operating profit			<u>1,946</u>	<u>928</u>

There are no sales between the geographical segments.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended	
	30th September,	
	2004	2003
	HK\$'000	HK\$'000
Crediting		
Interest income	445	1,448
Rental income	832	738
	<u>84</u>	<u>83</u>
Charging		
Amortisation of trademarks	84	83
Depreciation		
Owned fixed assets	991	782
Leased fixed assets	99	117
Staff costs, including directors' emoluments	10,716	9,860
Provision for bad and doubtful debts	469	—
Net exchange losses	309	459

4. STAFF COSTS

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Wages and salaries	5,356	5,207
Retirement benefit costs	<u>312</u>	<u>253</u>
Total staff costs, excluding directors' emoluments	<u>5,668</u>	<u>5,460</u>

5. TAXATION (CHARGE)/CREDIT

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

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	—	(15)
Overseas taxation	<u>(1)</u>	<u>(38)</u>
	(1)	(53)
Deferred taxation relating to the origination and reversal of temporary differences	<u>(27)</u>	<u>474</u>
Taxation (charge)/credit	<u>(28)</u>	<u>421</u>

- (a) Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period.
- (b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2004 (2003: HK\$Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$1,404,000 (2003: HK\$787,000) for the period and on the total number of 389,500,000 (2003: 389,500,000) ordinary shares in issue during the period.

No diluted earnings per share is presented for the six months ended 30th September, 2004 and 2003 as there is no dilutive potential ordinary share for these periods.

8. INTANGIBLE ASSETS

	Trademarks <i>HK\$'000</i>
Net book value at 1st April, 2004	498
Amortisation charge	<u>(84)</u>
Net book value at 30th September, 2004	<u><u>414</u></u>

9. CAPITAL EXPENDITURE

	Fixed assets <i>HK\$'000</i>
Net book value at 1st April, 2004	37,431
Additions	16,767
Disposals	(135)
Depreciation charge	<u>(1,090)</u>
Net book value at 30th September, 2004	<u><u>52,973</u></u>

10. TRADE RECEIVABLES

- (a) At 30th September, 2004, the ageing analysis of trade receivables was as follows:

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	31,208	124
1 to 3 months	4,787	74
4 to 6 months	40	5
7 to 9 months	29	135
10 to 12 months	22	76
Over 1 year	391	185
	<hr/>	<hr/>
	36,477	599
<i>Less: Provision for bad and doubtful debts</i>	<i>(253)</i>	<i>(180)</i>
	<hr/>	<hr/>
	36,224	419
	<hr/> <hr/>	<hr/> <hr/>

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

- (b) As at 30th September, 2004, trade receivables factored to a bank and remained outstanding amounted to approximately HK\$7,644,000 (31st March, 2004: approximately HK\$95,000).

11. TRADE PAYABLES

- At 30th September, 2004, the ageing analysis of trade payables was as follows:

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	12,549	206
1 to 3 months	1,114	15
4 to 6 months	109	89
7 to 9 months	37	92
10 to 12 months	702	3
Over 1 year	4	674
	<hr/>	<hr/>
	14,515	1,079
	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
Authorised:		
At 31st March, 2003, 31st March, 2004 and 30th September, 2004	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31st March, 2003, 31st March, 2004 and 30th September, 2004	<u>389,500,000</u>	<u>38,950</u>

13. LONG-TERM LIABILITIES

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Bank loans — secured (note 13(a) and note 15)	29,598	15,910
Obligations under finance leases (note 13(a))	854	1,005
Post retirement obligations	646	646
	31,098	17,561
Less: Current portion of long-term liabilities	<u>(19,290)</u>	<u>(13,596)</u>
	<u>11,808</u>	<u>3,965</u>

- (a) At 30th September, 2004 and 31st March, 2004, the Group's bank loans and obligations under finance leases are repayable as follows:

	Secured bank loans		Obligations under finance lease	
	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Within one year	18,938	13,270	352	326
In the second year	2,165	1,667	358	355
In the third to fifth year inclusive	8,495	973	144	324
	<u>29,598</u>	<u>15,910</u>	<u>854</u>	<u>1,005</u>

14. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (31st March, 2004: 17.5%) for the subsidiaries operating in Hong Kong. Deferred taxation for subsidiaries operating in overseas is calculated at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The movement on the deferred tax liabilities and (assets) are as follows:

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities		
At the beginning of the period/ year	672	—
Deferred taxation (credited)/charged to profit and loss account (<i>note 5</i>)	(108)	672
	<hr/>	<hr/>
At the end of the period/ year	564	672
	<hr/> <hr/>	<hr/> <hr/>
	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets		
At the beginning of the period/ year	(621)	—
Deferred taxation charged/(credited) to profit and loss account (<i>note 5</i>)	135	(621)
	<hr/>	<hr/>
At the end of the period/year	(486)	(621)
	<hr/> <hr/>	<hr/> <hr/>

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$37,862,000 (31st March, 2004: HK\$41,914,000) to carry forward against future taxable income. The tax losses have no expiry date.

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the unremitted earnings of a subsidiary.

15. BANKING FACILITIES

As at 30th September, 2004, the Group's banking facilities amounted to approximately HK\$187,918,000 (31st March, 2004: approximately HK\$195,918,000) and were utilized to the extent of approximately HK\$78,705,000 (31st March, 2004: approximately HK\$19,172,000) and such facilities were secured by the following:

- (a) first legal charge over investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of approximately HK\$28,616,000 (31st March, 2004: approximately HK\$28,781,000); and
- (b) corporate guarantees from the Company and certain of its subsidiaries.

16. CONTINGENT LIABILITIES

As at 30th September, 2004, trade receivables factored to a bank and remaining outstanding amounted to approximately HK\$7,644,000 (31st March, 2004: approximately HK\$95,000).

17. COMMITMENTS

(a) Capital commitments

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised but not contracted for in respect of acquisition of office units in the PRC	<u>—</u>	<u>9,553</u>

(b) Commitments under operating leases

- (i) At 30th September, 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	2,355	2,220
Later than one year and not later than five years	<u>1,005</u>	<u>562</u>
	<u>3,360</u>	<u>2,782</u>

The balances above do not include operating lease payment obligation in respect of certain operating leases on properties of the Group with variable rentals which are calculated based on certain percentage of the gross revenues of the subsidiaries.

- (ii) At 30th September, 2004, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,670	1,170
Later than one year and not later than five years	942	566
	<u>2,612</u>	<u>1,736</u>

18. SUBSEQUENT EVENTS

On 30th November, 2004, Global Sportswear Inc., a wholly owned subsidiary of the Company, further invested RMB3 million (equivalent to approximately HK\$2.8 million) into the capital of Wuhan Hande Sportswear Company Limited, a Sino-Foreign equity joint venture enterprise, with limited liability, in which the Group has 51% equity interest. After the capital injection, the equity interest of the Group will be increased to 75.5%.

Save as disclosed above, there are no other significant subsequent events.

19. ULTIMATE HOLDING COMPANY

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

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 17th December, 2004