1. GENERAL

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

The Company is an investment holding company. The Group is principally engaged in the manufacture of and trading in knitted-to-shape and non knitted-to-shape garments.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS(s)") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 "Business Combinations" is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements has been prepared under the historical cost convention.

The principal accounting policies which have been adopted in preparing these financial statements set out in this report and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

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

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

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

Goodwill

Goodwill (negative goodwill) represents the excess (deficit) of the cost of an acquisition over (below) the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the effective date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Negative goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be credited to the consolidated income statement at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions after 1st April, 2001 is recognised as income on a systematic basis over the remaining weighted average useful life of the non-monetary assets acquired.

Goodwill arising on acquisitions is recognised as an asset and is amortised using the straight line method over its estimated useful life.

On the disposal of an investment in a subsidiary or an associate, the attributable amount of unamortised goodwill (negative goodwill) or the negative goodwill previously credited to reserves is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Sub-contracting income is recognised when services are rendered.

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation, amortisation and impairment.

Construction in progress is carried at cost less any identified impairment loss. Depreciation of this asset, on the same basis as other property assets, commences when the asset is ready for its intended use.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the remaining term of the relevant leases
Buildings	Over the shorter of the term of leases or 50 years
Leasehold improvements	Over the remaining term of the relevant leases
Plant and machinery	12.5% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, the interest in the associate is stated at the Group's share of the net assets of the associate.

When the Group transacts with its associate, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provides evidence of an impairment of the asset transferred.

Intangible asset

The intangible asset represents the rights to use permanent quotas which are stated at cost less amortisation and impairment, if any. Amortisation is provided to write off the cost of quotas over its estimated useful life of 5 years using the straight line method.

Temporary textile quota entitlement

The cost of temporary textile quota entitlement is charged to the income statement at the time of utilisation.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Retirement benefit costs

Payments to the employee retirement benefits are charged as an expense as they fall due.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long service payments

The Group's obligation under long service payments recognised in the balance sheet is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold and sub-contracting services provided to outside customers during the year and is analysed as follows:

	2005	2004
	HK$'000	*HK$'000*
Sales of goods	**327,580**	324,273
Sub-contracting income	**10,618**	5,906
	338,198	330,179

5. OTHER OPERATING INCOME

	2005	2004
	HK$'000	*HK$'000*
Exchange gains, net	**1,136**	1,795
Interest income	**228**	243
Sundry income	**1,459**	2,572
	2,823	4,610

6. LOSS FROM OPERATIONS

	2005	2004
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging (crediting):		
Allowance on inventories	**4,076**	–
Amortisation of intangible asset included in selling expenses	**–**	440
Auditors' remuneration	**638**	696
Cost of temporary textile quota entitlements	**19,782**	18,351
Depreciation and amortisation of property, plant and equipment		
– owned assets	**11,773**	8,725
– assets held under finance leases	**1,586**	55
(Gain) loss on disposal of property, plant and equipment	**(8)**	27
Minimum lease payments under operating leases in respect of rented premises	**543**	645
Total staff costs including directors' remuneration	**90,332**	83,553

7. REMUNERATION OF DIRECTORS AND EMPLOYEES

	2005	2004
	HK$'000	*HK$'000*
Directors		
Fees	**120**	82
Salaries and other benefits	**3,718**	3,738
Retirement benefit scheme contributions	**58**	58
	3,896	3,878

The emoluments of the directors were within the following bands:	**Number of directors**	
Nil – HK$1,000,000	**7**	7
HK$1,000,001 – HK$1,500,000	**1**	1

The amount disclosed above include directors' fees of HK$120,000 (2004: HK$82,000) paid to independent non-executive directors.

Employees

Of the five individuals with the highest emoluments in the Group, four (2004: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2005	2004
	HK$'000	*HK$'000*
Salary and other benefits	**389**	388
Performance related incentive payments	**66**	66
Retirement benefit scheme contributions	**12**	12
	467	466

The emoluments of the remaining highest paid individual were within the following band:	**Number of directors**	
Nil – HK$1,000,000	**1**	1

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

8. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Implied interest on financing the acquisition of property, plant and equipment	**1,090**	–
Interest on bank borrowings wholly repayable within five years	**894**	462
Finance charges on finance leases	**249**	7
	2,233	469

9. INCOME TAX

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
The (credit) charge comprises:		
(Over)underprovision of Hong Kong Profits Tax in prior years	**(3)**	6
Deferred tax charge (credit) *(note 22)*		
– Current year	**(482)**	351
– Effect on change in tax rate	**–**	11
	(485)	368

No provision for Hong Kong Profits Tax had been made in the financial statements for the years ended 31st March, 2004 and 2005 since the assessable profits were wholly absorbed by tax losses brought forward.

The tax (credit) charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2005	2004
	HK$'000	*HK$'000*
Loss before taxation	**(29,619)**	(4,844)
Tax at Hong Kong Profits Tax rate of 17.5%	**(5,183)**	(848)
Tax effect of expenses not deductible for tax purpose	**1,912**	409
Tax effect of income not taxable for tax purpose	**(3)**	(623)
Tax effect of tax losses not recognised	**2,794**	1,413
(Over)underprovision of income tax in prior years	**(3)**	6
Increase in opening deferred tax liability resulting from a change in tax rate	**–**	11
Utilisation of tax losses previously not recognised	**(2)**	–
Income tax (credit) charge for the year	**(485)**	368

10. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2004: nil).

11. LOSS PER SHARE

The calculation of the basic loss per share is based on loss for the year of HK$29,134,000 (2004: HK$4,991,000) and on 236,402,000 (2004: 236,402,000) ordinary shares in issue during the year.

The diluted loss per share has not been presented as there were no potential ordinary shares in existence during the two years ended 31st March, 2005.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
THE GROUP							
COST							
At 1st April, 2004	125,675	9,771	26,485	5,302	7,747	–	174,980
Exchange realignment	143	8	128	10	6	–	295
Additions	28	1,969	37,157	908	387	463	40,912
Disposals	–	–	(134)	(139)	(103)	–	(376)
At 31st March, 2005	**125,846**	**11,748**	**63,636**	**6,081**	**8,037**	**463**	**215,811**
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1st April, 2004	15,012	3,384	17,182	4,227	6,379	–	46,184
Exchange realignment	(10)	3	39	7	5	–	44
Impairment loss recognised	–	–	836	–	–	–	836
Provided for the year	3,057	981	7,693	745	883	–	13,359
Eliminated on disposals	–	–	(131)	(126)	(101)	–	(358)
At 31st March, 2005	**18,059**	**4,368**	**25,619**	**4,853**	**7,166**	**–**	**60,065**
NET BOOK VALUES							
At 31st March, 2005	**107,787**	**7,380**	**38,017**	**1,228**	**871**	**463**	**155,746**
At 31st March, 2004	110,663	6,387	9,303	1,075	1,368	–	128,796

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

An analysis of the net book value of the Group's land and building is set out below:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**9,192**	9,416
The People's Republic of China ("Mainland China")	**79,895**	81,889
Freehold		
Thailand	**18,700**	19,358
	107,787	110,663

The net book value of motor vehicles includes an amount of HK$288,000 (2004: HK$166,000) and the plant and machinery includes an amount of HK$10,594,000 (2004: Nil) in respect of assets held under finance leases.

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**187,890**	187,890
Less: Impairment losses	**(74,587)**	–
	113,303	187,890

The cost of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation in 2001 and after deducting the dividends received by the Company from the profits of certain subsidiaries before the group reorganisation.

During the year, an impairment loss of HK$74,587,000 was recognised based on directors' estimation on the net recoverable amount of the investments in subsidiaries.

13. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company as at 31st March, 2005 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company	Principal activities
Addlink Limited	British Virgin Islands	US$62,000	100%	Investment holding
Pak Tak Holdings (Hong Kong) Limited	Hong Kong	HK$10,000	100%	Investment holding
Pak Tak Knitting & Garment Factory Limited	Hong Kong	HK$3,000,000	100%	Manufacture of and trading in knitted-to-shape and non knitted-to-shape garments
Pak Tak Knitting & Garment Factory (Thailand) Company Limited	Thailand	Baht20,000,000	60%	Manufacture of knitted-to-shape garments
Rich Source Limited	Hong Kong	HK$10,000	100%	Trading in knitted-to-shape and non knitted-to-shape garments
Richtime Knitting Limited	Hong Kong	HK$10,000	100%	Manufacture of knitted-to-shape garments
普寧市百德針織有限公司	Mainland China	HK$17,000,000	100%	Manufacture of knitted-to-shape garments

All of the above subsidiaries, except for Addlink Limited, are indirectly held by the Company.

All subsidiaries operate principally in their respective place of incorporation or registration.

普寧市百德針織有限公司 is a wholly foreign owned enterprise.

Pak Tak Knitting & Garment Factory (Vietnam) Co., Ltd. was liquidated during the year.

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

14. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**–**	–

Particulars of the Company's incorporated associate at 31st March, 2005 are as follows:

Name of associate	Place of incorporation and operation	Proportion of nominal value of issued capital held by the Group	Principal activities
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak Kwong Tai")	Hong Kong	49%	Trading of knitwear and other apparel products

15. INTANGIBLE ASSET

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
COST		
At beginning of the year	**4,100**	4,100
Written off	**(4,100)**	–
At end of the year	**–**	4,100
AMORTISATION		
At beginning of the year	**4,100**	3,660
Provided for the year	**–**	440
Written off	**(4,100)**	–
At end of the year	**–**	4,100
NET BOOK VALUES		
At end of the year	**–**	–

The intangible asset represented the rights to use permanent quotas and was amortised on a straight-line basis over 5 years. The asset was fully written off during the year as a result of the abolishment of quota system on 1st January, 2005.

16. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**22,026**	17,686
Work in progress	**14,555**	13,233
Finished goods	**1,998**	3,652
	38,579	34,571

Included in raw materials at 31st March, 2004 are amounts of approximately HK$8,019,000 which were carried at net realisable value.

17. TRADE DEBTORS

The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade debtors:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**9,110**	11,798
31 – 60 days	**2,006**	743
61 – 90 days	**230**	167
Over 90 days	**861**	97
	12,207	12,805

18. AMOUNT DUE FROM AN ASSOCIATE

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Amount receivable from Pak Tak Kwong Tai:		
Interest bearing portion	**3,508**	3,305
Non-interest bearing portion	**799**	778
	4,307	4,083
Allowance on doubtful receivable	**(2,099)**	(2,099)
	2,208	1,984

The amount is unsecured and repayable on demand. Interest income was charged at 6% (2004: 6%) per annum on the interest bearing portion.

19. TRADE CREDITORS

The following is an aged analysis of trade creditors:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**7,679**	8,714
31 – 60 days	**4,879**	3,940
61 – 90 days	**3,478**	642
Over 90 days	**1,144**	133
	17,180	13,429

20. BANK BORROWINGS

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Trust receipt loans	**18,187**	8,879
Export trade finance	**7,937**	–
Term loan	**7,500**	–
Packing loans	**1,955**	–
	35,579	8,879
Secured *(Note)*	**20,255**	–
Unsecured	**15,324**	8,879
	35,579	8,879
The maturity profile of the above loans are as follows:		
On demand or within one year	**29,837**	8,879
More than one year, but not exceeding two years	**1,834**	–
More than two years, but not exceeding five years	**3,908**	–
	35,579	8,879
Less: Amount due within one year classified as current liabilities	**(29,837)**	(8,879)
Amount due after one year	**5,742**	–

Note: Included in secured bank borrowings is an amount of HK$16,625,000 which is secured by a bank deposit of two directors of the Company. The remaining balance of the secured bank borrowings of HK$3,630,000 are secured by certain machinery of the Group with the carrying value of HK$3,506,000 at 31st March, 2005.

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Amount payable under finance lease:				
Within one year	**2,957**	73	**2,614**	65
In the second to fifth year inclusive	**8,572**	97	**8,149**	93
	11,529	170	**10,763**	158
Less: Future finance charges	**(766)**	(12)	**–**	–
Present value of lease obligations	**10,763**	158	**10,763**	158
Less: Amount due within one year shown under current liabilities			**(2,614)**	(65)
Amount due after one year			**8,149**	93

The Group has leased certain of its motor vehicles and plant and machinery under finance leases. The average lease term is 3 years and 4.5 years, respectively. For the year ended 31st March, 2005, the average effective borrowing rate was 4% (2004: 6.32%) per annum. The interest rate is fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
At 1st April, 2003	2,747	(2,627)	120
Charged to income statement for the year	147	204	351
Effect of a change in tax rate charged (credited) to income statement for the year	257	(246)	11
At 31st March, 2004	3,151	(2,669)	482
Charged (credited) to income statement for the year	4,005	(4,487)	(482)
At 31st March, 2005	7,156	(7,156)	–

At the balance sheet date, the Group has unused tax losses of approximately HK$79,671,000 (2004: HK$37,021,000). A deferred tax asset has been recognised in respect of approximately HK$40,894,000 (2004: HK$15,251,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$38,777,000 (2004: HK$21,770,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses incurred by the Company's PRC subsidiary of approximately HK$4,648,000 (2004: HK$4,659,000), that will expire within five years and losses incurred by the Company's subsidiary in Thailand of approximately HK$7,003,000 (2004: HK$11,968,000) that will expire in 2011. Other losses may be carried forward indefinitely.

23. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme.

The most recent actuarial valuation of the present value of the Group's obligations under long service payments was carried out at 31st March, 2005 by Hewitt Associates LLC, an independent firm of human resource consultants and actuaries. The present value of the Group's obligations under long service payments, the related current service cost and past service cost were measured using the projected unit credit method.

The main actuarial assumptions used in the actuarial valuation were as follows:

Discount rate	6% per annum
Expected rate of salary increases	Nil for the first 2 years 2% per annum for the next 2 years 3.5% per annum thereafter

Amounts recognised in income statement in respect of the long service payments are as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Current service cost	**(25)**	(13)
Interest cost	**48**	48
Actuarial gain	**(111)**	–
	(88)	35

The (credit) charge for the year has been included in administrative expenses.

Movements in the net liability in the current period were as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
At beginning of the year	**864**	829
Amount (credited) charged to income	**(88)**	35
At end of the year	**776**	864

24. SHARE CAPITAL

	Number of shares		Value	
	2005	2004	**2005**	2004
			HK$'000	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised:				
At beginning and end of the year	**500,000,000**	500,000,000	**50,000**	50,000
Issued and fully paid:				
At beginning and end of the year	**236,402,000**	236,402,000	**23,640**	23,640

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 9th November, 2001 for the purpose of providing incentives or rewards to directors and full-time employees of the Group and will expire on the tenth anniversary date of the adoption of the Scheme. Under the Scheme, the directors of the Company may grant options to directors and full-time employees of the Group to subscribe for shares in the Company at a price equal to the higher of: (1) the nominal value of the shares; or (2) the average closing prices of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of grant of the options; or (3) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant of the options, which must be a business day.

Options granted may be accepted by the grantee within 28 days from the date of grant of the option. The exercise period for the share options granted is determinable by the directors of the Company and should not expire later than 10 years from the date of grant. A price of HK$1 is payable by the grantee upon acceptance of the grant of an option under the Scheme.

Unless shareholders' approval is sought, the shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 22,800,000 shares of the Company.

In addition, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme of the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant.

No options had been granted or agreed to be granted under the Scheme since the adoption.

26. RESERVES

	THE COMPANY	
	2005	2004
	HK$'000	*HK$'000*
SHARE PREMIUM		
At beginning and end of the year	**5,987**	5,987
CONTRIBUTED SURPLUS		
At beginning and end of the year	**181,059**	181,059
(DEFICIT) RETAINED PROFITS		
At beginning of the year	**7,877**	7,973
Loss for the year	**(74,675)**	(96)
At end of the year	**(66,798)**	7,877
TOTAL RESERVES	**120,248**	194,923

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation on 9th November, 2001 and has been adjusted for the dividend declared from this reserve after 9th November, 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay or dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

	2005	2004
	HK$'000	*HK$'000*
Contributed surplus	**181,059**	181,059
(Deficit) retained profits	**(66,798)**	7,877
	114,261	188,936

27. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of approximately HK$11,864,000 (2004: HK$199,000).

28. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:		
contracted for but not provided for in the financial statements	**27,328**	29,199
authorised but not contracted for	**626**	–

The Company did not have any capital commitments at the balance sheet date.

29. LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due, as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**582**	694
In the second to fifth year inclusive	**562**	1,123
	1,144	1,817

Operating leases are negotiated for a term of two to four years without renewal options.

The Company did not have any outstanding operating lease commitments at the balance sheet date.

30. CONTINGENT LIABILITIES

At 31st March, 2005, the Group did not have any contingent liabilities (2004: Nil).

At 31st March, 2005, the Company had issued corporate guarantees to banks in connection with facilities granted to certain of its subsidiaries amounting to approximately HK$183 million (2004: HK$106 million).

31. EMPLOYEE RETIREMENT BENEFITS

	2005	2004
	HK$'000	*HK$'000*
Retirement benefit contributions made during the year	**1,054**	943

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme, which contributions is matched by employees.

The eligible employees of the Company's subsidiaries in Mainland China are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits.

Eligible employees of the Company's subsidiary in Thailand currently participate in a defined contribution pension scheme operated by the local municipal government. The calculation of contributions is based on certain percentages of the employees' payroll.

32. RELATED PARTY TRANSACTIONS

		2005	2004
Name of related party	**Nature of transaction**	***HK$'000***	*HK$'000*
Pak Tak Kwong Tai	Rental income *(Note a)*	**8**	24
	Sales of goods *(Note b)*	**11,458**	6,186
	Interest income *(Note c)*	**204**	221
	Letter of credit issue on behalf *(Note d)*	**2,926**	–

Notes:

(a) Rental income was based on the tenancy agreement.

(b) These transactions were carried out at cost plus a percentage profit mark-up.

(c) The interest rate was charged at 6% (2004: 6% to 8%) per annum.

(d) No service fee has been charged to the associate for the letter of credit issue on behalf of the associate.

At 31st March, 2005, Messrs. Cheng Chi Tai and Cheng Kwai Chun, John, the directors of the Company, pledged AUD2,771,500 (equivalent to approximately HK$16,743,000) and provided personal guarantees to secure general banking facilities granted to the Group.

Subsequent to the balance sheet date, Messrs. Cheng Chi Tai and Mr. Cheng Kwai Chun, John, the directors of the Company, advanced HK$5,000,000 to the Group to provide additional working capital to the Group.

33. SEGMENT INFORMATION

(a) Business segments

The business activities of the Group can be categorised into knitted-to-shape garments, non knitted-to-shape garments and sub-contracting. Segment information in respect of these activities is as follows:

RESULT

	Turnover		Contribution to loss	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of knitted-to-shape garments	**319,450**	317,388	**(20,848)**	(5,250)
Sales of non knitted-to-shape garments	**8,130**	6,885	**(7,125)**	(2,004)
Sub-contracting	**14,357**	5,906	**(1,488)**	(1,731)
Less: Inter-segment transactions	**(3,739)**	–	**(748)**	–
	338,198	330,179	**(30,209)**	(8,985)
Other operating income			**2,823**	4,610
Loss from operations			**(27,386)**	(4,375)
Finance costs			**(2,233)**	(469)
Loss before taxation			**(29,619)**	(4,844)
Income tax			**485**	(368)
Loss before minority interests			**(29,134)**	(5,212)
Minority interests			**–**	221
Loss for the year			**(29,134)**	(4,991)

Inter-segment sales for the year ended 31st March, 2005 from sub-contracting segment to sales of knitted-to-shape garments segment were charged at cost plus a percentage profit markup. There were no inter-segment sales during the year ended 31st March, 2004.

33. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

FINANCIAL POSITIONS

	2005	2004
	HK$'000	*HK$'000*
Assets		
Segment assets:		
– Knitted-to-shape garments	**49,572**	41,426
– Non knitted-to-shape garments	**731**	5,846
– Sub-contracting	**483**	104
– Unallocated segment assets	**155,746**	128,796
Total segment assets	**206,532**	176,172
Unallocated corporate assets	**14,891**	32,078
Consolidated total assets	**221,423**	208,250
Liabilities		
Segment liabilities:		
– Knitted-to-shape garments	**16,751**	11,954
– Non knitted-to-shape garments	**2,091**	2,230
Total segment liabilities	**18,842**	14,184
Unallocated corporate liabilities	**58,693**	21,194
Consolidated total liabilities	**77,535**	35,378
Other information		
Capital additions in unallocated segment assets	**40,912**	10,027
Depreciation		
– Knitted-to-shape garments	**10,843**	7,453
– Non knitted-to-shape garments	**849**	441
– Sub-contracting	**1,667**	886
	13,359	8,780
Amortisation of intangible asset		
– Knitted-to-shape garments	**–**	374
– Non knitted-to-shape garments	**–**	22
– Sub-contracting	**–**	44
	–	440
Impairment loss on property, plant and equipment		
– Knitted-to-shape garments	**836**	–

33. SEGMENT INFORMATION *(Continued)*

(b) Geographical market

The Group's operations are located in Hong Kong, Mainland China and Thailand. The Group's operation in Vietnam was ceased during the year.

The following table provides an analysis of the Group's sales by geographical market, irrespective of origin of the goods and services:

	Sales revenue by geographical market	
	2005	2004
	HK$'000	*HK$'000*
United States of America	**296,155**	294,702
Europe	**14,383**	14,299
Asia	**20,597**	13,625
Australia	**3,567**	4,535
Others	**3,496**	3,018
	338,198	330,179

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

	Carrying amount of assets		Additions to property, plant and equipment	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**148,862**	129,858	**22,902**	5,324
Hong Kong	**37,148**	22,483	**17,930**	628
Thailand	**20,522**	21,801	**80**	4,068
Vietnam	**–**	2,030	**–**	7
Total segment assets	**206,532**	176,172	**40,912**	10,027
Unallocated corporate assets	**14,891**	32,078		
Consolidated total assets	**221,423**	208,250		