Notes on the Financial Statements

(Expressed in United States dollars)

1 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 Institute of Certified Public Accountants ("HKICPA"), 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 The Stock Exchange of Hong Kong Limited ("HKSE"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has chosen to early adopt HKFRS 3 "Business combinations" ("HKFRS 3"), HKAS 36 "Impairment of assets" ("HKAS 36") and HKAS 38 "Intangible assets" ("HKAS 38") for the preparation of the financial statements for the year ended 31 March 2005. The impact of the early adoption of these accounting standards is set out in note 26.

Apart from the above, the Group has not early adopted the other new HKFRSs in the financial statements for the year ended 31 March 2005. However, the Group is in the process of making an assessment of the impact of these other new HKFRSs and so far concluded below:

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expense of directors' and employees' share options of the Company. Currently, the Group does not expense the share options issued by the Company.

The directors have assessed that the adoption of HKFRS 2 does not have a material effect on the Group's results of operations and financial position for the year ending 31 March 2006.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

(c) 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 and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(d) 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 from the date that control commences until the date that control ceases, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries *(continued)*

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.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated income statement.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(e) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill, arising on acquisition of subsidiaries, represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but tested annually for impairment (see note 1(k)).

Any excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition ("negative goodwill") is recognised directly in the consolidated income statement.

(f) Investments in securities

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

(i) Investments in securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

(ii) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Fixed assets

(i) Fixed assets are carried in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(k)).

(ii) 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 enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) 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.

(h) Intangible assets

(i) Trademarks

Trademarks with an indefinite useful life acquired by the Group are systematically tested for impairment at each balance sheet date and stated in the balance sheet at cost less accumulated impairment losses (see note 1(k)). Other trademarks with a finite useful life acquired by the Group is stated in the balance sheet at cost less accumulated amortisation (see note 1(i)) and impairment losses (see note 1(k)). Expenditure on internally generated brands is recognised as an expense in the income statement in the period in which the expense is incurred.

(ii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(i) Amortisation and depreciation

(i) No depreciation is provided on freehold land.

(ii) Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives as follows:

- Buildings are depreciated on a straight-line basis over their estimated useful lives of 40 to 55 years from the date of completion.
- Other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	3 to 5 years
Motor vehicles	5 years
Furniture, fixtures and other fixed assets	2 to 10 years

(iii) Intangible assets

Amortisation of trademarks with a finite useful life is charged to the income statement on a straight-line basis over their estimated useful lives.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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.

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or have been reversed:

– fixed assets;

– trademarks with a finite useful life; and

– investments in subsidiaries (except for those accounted for at fair value under note 1(d)).

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.

Goodwill and trademarks that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

(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 the 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 cash-generating unit to which the asset belongs.

(ii) Reversals of impairment losses

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Inventories

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

Cost is calculated using the weighted average cost formula 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 cost of completion and the estimated costs necessary to make the sale.

When the 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 any 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.

(m) Cash equivalents

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.

(n) 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.

(ii) The Group's net obligation in respect of the pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a scheme, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the pension scheme obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

For other non-Taiwan subsidiaries, contributions to the defined contribution pension schemes are recognised as an expense in the income statement as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Employee benefits *(continued)*

(iii) When the Group grants employees options to acquire shares of the Company at a 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.

(o) 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.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Income tax *(continued)*

(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:

  – 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.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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.

(q) 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) Sale of goods

Revenue is recognised when goods are delivered to the customers 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 and is after deduction of any trade discounts.

(ii) Royalty income

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Revenue recognition *(continued)*

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. This is taken to be for interim dividends, when the directors of such investments declare such dividends and for final dividends, when the shareholders of such investments at the general meeting approve the dividends proposed by the directors.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(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.

(r) Translation of foreign currencies

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

The results of overseas subsidiaries are translated into United States dollars at average exchange rates for the year; balance sheet items are translated into United States dollars at the exchange rates ruling at the balance sheet date. The resulting exchange differences are dealt with as movements in reserves.

(s) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

(t) 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.

(u) 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, the Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Segment reporting *(continued)*

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. For example, segment assets may include inventories, trade receivables and other fixed assets. 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 and minority interests.

2 TURNOVER

The principal activities of the Group are designing, marketing and sale of apparel and accessories under the brand name of "Hang Ten" and licensing of trademarks.

Turnover represents the sales value of goods supplied to customers and royalty income from licensing of trademarks. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005	2004
	$'000	*$'000*
Sales of apparels	**208,575**	179,092
Royalty income	**4,380**	4,655
	212,955	183,747

3 OTHER REVENUE AND NET INCOME

	2005	2004
	$'000	*$'000*
Other revenue		
Rental income	**564**	443
Bank interest income	**250**	108
Claims receivable from suppliers	**6**	198
Others	**1,512**	1,478
	2,332	2,227
Other net income		
Net loss on disposal of fixed assets	**(155)**	(149)
Net exchange gain	**611**	451
Net realised and unrealised gains on listed funds carried at fair value	**43**	13
Others	**19**	52
	518	367

Notes on the Financial Statements *(continued)*

(Expressed in United States dollars)

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2005	2004
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**210**	387
Interest on shareholders' loans	**1,021**	1,072
	1,231	1,459
(b) Staff costs:		
Salaries and staff benefits	**24,732**	21,028
Retirement costs (Taiwan)	**391**	327
Retirement costs (other countries)	**452**	405
	25,575	21,760
(c) Other items:		
Cost of inventories sold	**97,283**	86,745
Auditors' remuneration	**206**	215
Amortisation of goodwill	**–**	504
Amortisation of trademarks	**–**	975
Depreciation	**3,380**	3,482
Operating lease charges (including retail shops and department store counters)	**32,545**	29,625
Commission to franchisees	**12,748**	10,344
Provision for inventories	**388**	107
Provision for bad debts	**282**	840

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2005	2004
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**–**	–
Current tax – Overseas		
Tax for the year	**3,950**	2,253
Under-provision in respect of prior years	**699**	335
	4,649	2,588
Deferred tax		
Origination and reversal of temporary differences	**(157)**	(726)
Effect of decrease in tax rate on deferred tax balances at 1 April	**72**	–
	(85)	(726)
	4,564	1,862

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the years ended 31 March 2005 and 2004.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2005	2004
	$'000	*$'000*
Profit before tax	**20,955**	13,708
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**3,342**	1,882
Tax effect of non-deductible expenses	**562**	328
Tax effect of non-taxable revenue	**(1)**	(48)
Tax effect of unrecognised deferred tax assets	**(110)**	(635)
Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	**72**	–
Under-provision in respect of prior years	**699**	335
Actual tax expense	**4,564**	1,862

6 DIRECTORS' REMUNERATION

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

	2005	2004
	$'000	*$'000*
Fees	**69**	62
Salaries and other emoluments	**1,510**	1,350
Discretionary bonuses	**149**	117
Retirement scheme contributions	**7**	6
	1,735	1,535
Number of directors	**7**	6

Included in the directors' remuneration were fees of $69,000 (2004: $62,000) paid to the independent non-executive directors during the year.

The above included a bonus of $720,000 (2004: $563,000), which amount is also included in the executive remuneration paid to Mr Kenneth Hung in note 37(b)(i).

The remuneration of the directors is within the following bands:

	2005	2004
	Number	Number
Nil – $128,205 (equivalent to HK$1,000,000)	**3**	2
$192,309 – $256,410 (equivalent to HK$1,500,001 – HK$2,000,000)	**2**	2
$256,411 – $320,513 (equivalent to HK$2,000,001 – HK$2,500,000)	**1**	1
$705,128 – $769,231 (equivalent to HK$5,500,001 – HK$6,000,000)	**–**	1
$897,436 – $961,538 (equivalent to HK$7,000,001 – HK$7,500,000)	**1**	–
	7	6

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2004: three) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2004: two) individuals are as follows:

	2005	2004
	$'000	*$'000*
Salaries and emoluments	**871**	741
Discretionary bonuses	**165**	492
	1,036	1,233

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of the two (2004: two) individuals with the highest emoluments are within the following bands:

	2005 Number	2004 Number
$256,411 – $320,513 (equivalent to HK$2,000,001 – HK$2,500,000)	**–**	1
$384,616 – $448,718 (equivalent to HK$3,000,001 – HK$3,500,000)	**1**	–
$576,923 – $641,026 (equivalent to HK$4,500,001 – HK$5,000,000)	**1**	–
$897,436 – $961,538 (equivalent to HK$7,000,001 – HK$7,500,000)	**–**	1
	2	2

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $5,503,000 (2004: profit of $4,218,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

(a) Dividends attributable to the year and proposed after the balance sheet date

	2005 *$'000*	2004 *$'000*
Dividend on convertible preference shares at 1%	**31**	82
Final dividend proposed on ordinary shares of HK5.0 cents (2004: HK4.0 cents as restated*) (equivalent to approximately US0.64 cent) per ordinary share (2004: US0.51 cent as restated*)	**5,004**	3,266
	5,035	3,348

* As adjusted to reflect the consolidation of ordinary shares as set out in note 30(a).

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

9 DIVIDENDS *(continued)*

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

	2005	2004
	$'000	*$'000*
Dividend on convertible preference shares at 1%	**82**	22
Final dividend on ordinary shares in respect of the previous financial year, approved and paid during the year, of HK4.0 cents as restated* (2004: HK3.0 cents as restated*) per ordinary share (equivalent to approximately US0.51 cent as restated*) (2004: US0.38 cent as restated*)	**4,003**	1,046
	4,085	1,068

In respect of the dividends attributable to the year ended 31 March 2004, the difference between the final dividend proposed and the amount approved and paid during the year represents the additional dividends distributed to the holders of ordinary shares which were issued upon the conversion of convertible preference shares before the closing date of the register of members.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to shareholders of $16,378,000 (2004: $11,240,000) and the weighted average number of 740,542,000 ordinary shares (2004: 334,961,000 ordinary shares after adjusting for the consolidation of shares on 12 November 2004) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the profit attributable to ordinary shareholders of $16,378,000 (2004: $11,240,000) and the weighted average number of ordinary shares of 985,394,000 shares (2004: 999,503,000 ordinary shares after adjusting for the consolidation of shares on 12 November 2004) in issue during the year and after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	2005	2004
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**740,542**	334,961
Deemed issue of ordinary shares for no consideration	**244,852**	664,542
Weighted average number of ordinary shares used in calculating diluted earnings per share	**985,394**	999,503

The weighted average number of ordinary shares for the year ended 31 March 2004 has been adjusted for the share consolidation on 12 November 2004.

11 FIXED ASSETS

	Land and buildings held for own use	Leasehold improvements	Motor vehicles	Furniture, fixtures and other fixed assets	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Cost:					
At 1 April 2004	1,550	6,865	394	3,001	11,810
Exchange adjustments	137	765	32	216	1,150
Additions	304	2,884	91	982	4,261
Disposals	–	(4,671)	(24)	(258)	(4,953)
At 31 March 2005	**1,991**	**5,843**	**493**	**3,941**	**12,268**
Accumulated depreciation and impairment loss:					
At 1 April 2004	499	2,767	177	1,710	5,153
Exchange adjustments	10	437	22	153	622
Charge for the year	22	2,736	74	548	3,380
Written back on disposal	–	(4,516)	(21)	(106)	(4,643)
At 31 March 2005	**531**	**1,424**	**252**	**2,305**	**4,512**
Net book value:					
At 31 March 2005	**1,460**	**4,419**	**241**	**1,636**	**7,756**
At 31 March 2004	1,051	4,098	217	1,291	6,657

All land and buildings are located outside Hong Kong. The land is freehold. At 31 March 2005, certain land and buildings of the Group with a carrying value of $1,093,000 (2004: $719,000) were pledged as security for a bank loan (note 20).

12 GOODWILL

	Positive goodwill $'000	Negative goodwill $'000	Total $'000
Cost:			
At 1 April 2004	10,121	(530)	9,591
Adjustment for changes in accounting policies	(1,132)	–	(1,132)
Derecognised during the year	–	530	530
At 31 March 2005	**8,989**	**–**	**8,989**
Accumulated amortisation:			
At 1 April 2004	1,132	(2)	1,130
Eliminated upon changes in accounting policies	(1,132)	–	(1,132)
Derecognised during the year	–	2	2
At 31 March 2005	**–**	**–**	**–**
Carrying amount:			
At 31 March 2005	**8,989**	**–**	**8,989**
At 31 March 2004	8,989	(528)	8,461

Positive goodwill arose from the acquisition of 97.01% equity interest in ILC International Corporation ("ILC") by Hang Ten International Holdings Limited ("Hang Ten (BVI)") in December 2001. Negative goodwill arose as a result of Hang Ten (BVI)'s acquisition of the remaining 2.99% equity interest in ILC in February 2004.

As a result of the early adoption of HKFRS 3, HKAS 36 and HKAS 38 (note 1(b)) and changes in accounting policies (note 26), the positive goodwill is stated at its deemed cost at 1 April 2004 and discontinues amortisation. The negative goodwill was credited to opening retained earnings at 1 April 2004.

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	2005 ***$'000***	2004 *$'000*
Taiwan operations	**5,663**	5,663
Korea operations	**1,978**	1,978
	7,641	7,641
Multiple operations without significant goodwill	**1,348**	1,348
	8,989	8,989

12 GOODWILL *(continued)*

The Group completed its annual impairment test for goodwill by comparing its recoverable amount to its carrying amount as at 31 March 2005. The Group appointed independent professional valuers to conduct a valuation of the goodwill using cashflow projections covering a five-year period, based on the following principal financial estimates:

Expected royalty rates from trademarks	1% to 4%
Discount rate of cashflow	15%
Annual growth rate	2% to 13%

Management has considered the above assumptions and the business expansion plan and believes that there is no impairment in goodwill as at 31 March 2005.

13 INVESTMENTS IN SUBSIDIARIES

	2005	2004
	$'000	*$'000*
Unlisted shares, at cost	**30,339**	30,339

The particulars of principal subsidiaries are set out in note 36.

14 INTANGIBLE ASSETS – TRADEMARKS

	Trademarks with an indefinite useful life
	$'000
Cost:	
At 1 April 2004	19,506
Adjustment for changes in accounting policies	(2,194)
Addition	211
At 31 March 2005	17,523
Accumulated amortisation:	
At 1 April 2004	2,194
Eliminated upon changes in accounting policies	(2,194)
At 31 March 2005	–
Net book value:	
At 31 March 2005	**17,523**
At 31 March 2004	17,312

14 INTANGIBLE ASSETS – TRADEMARKS *(continued)*

Balance at 1 April 2004 represented the carrying value of the acquired trademarks of "Hang Ten". Upon the early adoption of HKAS 36 and HKAS 38 (note 1(b)) and changes in accounting policies (note 26), the Group reassessed the useful life of previously recognised intangible assets. As a result of this assessment, the acquired trademarks of "Hang Ten" were regarded as having an indefinite useful life. The assessment is based on the future financial performance of the Group with a well known and long established fashion brand, which generates net cash inflows indefinitely. This view is supported by an independent professional appraiser, appointed by the Group to assess the useful life of trademarks in accordance with the requirements of HKAS 38. Having considered the factors specific to the Group, the appraiser opined that the "Hang Ten" trademarks should be regarded as intangible assets with an indefinite useful life.

Under the new accounting policy, trademarks with an indefinite useful life are stated at their deemed costs at 1 April 2004 and discontinue amortisation. The Group revaluates the useful life of trademarks at each balance sheet date to determine whether events or circumstances continue to support the view of an indefinite useful life.

All trademarks have been assessed for any impairment as set out in note 12.

15 INVESTMENTS

	2005	2004
	$'000	*$'000*
Trading securities (at market value)		
Listed funds in Taiwan	**9,298**	6,205

16 INVENTORIES

	2005	2004
	$'000	*$'000*
Finished goods	**23,265**	18,597
Goods in transit	**1,223**	743
	24,488	19,340
Less: Provisions	**(2,877)**	(2,489)
	21,611	16,851

Included in finished goods are inventories stated at net realisable value as follows:

	2005	2004
	$'000	*$'000*
Inventories stated at net realisable value	**10,455**	2,926

17 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors (net of provisions)	**6,912**	6,040	**–**	–
Royalty receivables (net of provisions)	**1,830**	2,527	**–**	–
Deposits, prepayments and other receivables	**11,711**	10,189	**19**	119
	20,453	18,756	**19**	119

The ageing analysis of trade debtors and royalty receivables (net of provisions) of the Group is as follows:

	2005	2004
	$'000	*$'000*
Current	**6,998**	6,448
1 to 3 months overdue	**1,287**	1,148
More than 3 months but less than 6 months overdue	**457**	971
	8,742	8,567

Debts arising from wholesale of goods and royalty income are due within one to two months from the date of billing. Debtors with long overdue balances are requested to settle all outstanding balances before any further credit is granted.

18 AMOUNT DUE FROM/(TO) A SUBSIDIARY

The amount due from/(to) a subsidiary is unsecured, interest free and has no fixed terms of repayment.

19 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**289**	900	**–**	–
Cash at bank and in hand	**25,056**	11,506	**18**	22
	25,345	12,406	**18**	22

Notes on the Financial Statements *(continued)*

(Expressed in United States dollars)

20 BANK LOANS

	The Group	
	2005	2004
	$'000	*$'000*
Bank loans		
– secured	**586**	1,933
– unsecured	**6**	2,717
	592	4,650

The bank loans of the Group were repayable as follows:

	2005	2004
	$'000	*$'000*
Within 1 year or on demand	**6**	4,130
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**586**	520
	586	520
	592	4,650

The bank loan of $586,000 (2004: $520,000) is secured by mortgage over certain land and buildings with a carrying value of $1,093,000 (2004: $719,000). At 31 March 2004, a banking facility of $9,500,000 was secured by 620,681 ordinary shares of ILC (representing 97.01% equity interest) and the amount utilised at that date was $1,413,000. The banking facility was terminated and the pledge has been released during the year. Details of securities in respect of the Group's banking facilities are summarised in note 35.

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**9,492**	10,853	**–**	–
Bills payable	**314**	1,241	**–**	–
Interest on loans from shareholders *(note 37(b))*	**1,021**	2,460	**–**	–
Accrued charges	**5,554**	3,056	**261**	98
Deferred income *(note 29)*	**1,180**	–	**–**	–
Deposits received	**863**	722	**–**	–
Others	**2,406**	2,166	**–**	–
	20,830	20,498	**261**	98

Credit terms obtained by the Group range from 30 to 45 days.

21 TRADE AND OTHER PAYABLES *(continued)*

The ageing of trade creditors and bills payable of the Group is analysed as follows:

	2005	2004
	$'000	*$'000*
Outstanding balances aged:		
Within 1 month or on demand	**8,340**	10,600
After 1 month but within 3 months	**792**	1,065
After 3 months but within 6 months	**674**	429
	9,806	12,094

22 EMPLOYEE BENEFITS

The Group's Taiwan subsidiaries participate in a central pension scheme providing benefits to all employees in accordance with the Labour Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the scheme to pay the benefits earned. The Group currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The contributions are placed with the Central Trust of China, a government institution.

The central pension scheme is funded by contributions from the Group in accordance with an independent actuary's recommendations based on annual actuarial valuation. The latest independent actuarial valuation of the scheme was at 31 March 2005 and was performed by Dr Lin, who is a Fellow of Actuarial Institute of Republic of China, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the scheme are 64% (2004: 65%) covered by the plan assets placed with the government institution.

(i) The amount recognised in the consolidated balance sheet is as follows:

	2005	2004
	$'000	*$'000*
Present value of funded obligations	**2,263**	1,697
Fair value of plan assets	**(1,454)**	(1,110)
Present value of net obligations	**809**	587
Unrecognised transitional liabilities	**(50)**	(50)
Unrecognised actuarial losses	**(647)**	(551)
	112	(14)

22 EMPLOYEE BENEFITS *(continued)*

(ii) Movements in the net liability/(asset) recognised in the consolidated balance sheet are as follows:

	2005	2004
	$'000	*$'000*
At 1 April	**(14)**	(102)
Contributions paid to schemes	**(267)**	(237)
Expenses recognised in the consolidated income statement	**391**	327
Exchange adjustments	**2**	(2)
At 31 March	**112**	(14)

(iii) Expenses recognised in the consolidated income statement are as follows:

	2005	2004
	$'000	*$'000*
Current service costs	**308**	307
Interest on obligations	**60**	33
Expected return on plan assets	**(30)**	(23)
Amortisation of actuarial losses and transitional liabilities	**53**	10
	391	327

The expenses are recognised in the following line items in the consolidated income statement:

	2005	2004
	$'000	*$'000*
Selling expenses	**330**	304
Administrative expenses	**61**	23
	391	327
Actual return on plan assets	**14**	12

(iv) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2005	2004
Discount rate	**3.75%**	3.5%
Expected return on plan assets	**2.75%**	2.75%
Future salary increases	**2.75%**	2.75%

(Expressed in United States dollars)

23 EQUITY COMPENSATION BENEFITS

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 3 January 2003 whereby the directors of the Company may, at their discretion, grant options to all employees, including directors of the Company or any of its subsidiaries, to subscribe for ordinary shares of the Company. A nominal consideration of HK$1 is payable on acceptance of the grant of an option and will entitle the holder to subscribe for ordinary shares during a period to be determined and notified by the directors of the Company, in any event not later than 10 years from the date of the grant of the option, as may be determined by the directors of the Company at a price not less than the higher of:

(i) the nominal value of the ordinary shares;

(ii) the closing price of the ordinary shares as stated in the HKSE's daily quotation sheet on the date of the offer of grant; and

(iii) the average closing price of the ordinary shares as stated in the HKSE's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant.

The maximum number of ordinary shares in respect of which options may be granted under the Share Option Scheme, must not in aggregate exceed 30% of the issued ordinary share capital of the Company from time to time. In respect of the maximum entitlement of each participant under the Share Option Scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue. Any ordinary shares allotted and issued on the exercise of options will rank pari passu with the other ordinary shares in issue at the date of exercise of the relevant option. Each option gives the holder the right to subscribe for one ordinary share.

Pursuant to a special resolution passed on 11 November 2004, every 100 issued and unissued ordinary shares of HK$0.001 each of the Company were consolidated into one ordinary share of HK$0.10 each. As a result, the outstanding options of 1,211,000,000 on 11 November 2004 have been adjusted to 12,110,000 and the exercise price per share has been adjusted from HK$0.0152 to HK$1.52.

The following table discloses details of the Company's share options and movements during the year:

Date of grant	Exercise price per share	Exercise period	Outstanding as at 1 April 2004	Granted during the year	Adjusted upon share consolidation	Outstanding as at 31 March 2005
7 April 2004	HK$1.52	1 April 2005 to 31 March 2009	–	605,500,000	(599,445,000)	6,055,000
7 April 2004	HK$1.52	1 April 2006 to 31 March 2009	–	605,500,000	(599,445,000)	6,055,000
			–	1,211,000,000	(1,198,890,000)	12,110,000

No options were vested as at 31 March 2005.

24 BALANCES WITH RELATED COMPANIES/SHAREHOLDERS

The balances are unsecured, interest free and repayable on demand. Details of related party transactions are summarised in note 37.

25 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	2005	2004
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**–**	–
Provision for overseas tax	**3,950**	2,253
Provisional Profits Tax paid	**(768)**	(237)
	3,182	2,016
Balance of Profits Tax provision relating to prior years	**1,491**	147
	4,673	2,163

The Group operates mainly in Taiwan, Korea, Singapore, United States and other countries in Asia and Europe. The directors have reviewed the Group's worldwide operations and consider that adequate provision for taxation has been made in the consolidated financial statements. Details of certain income tax contingencies are set out in note 34.

(b) Deferred tax assets recognised:

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

	Depreciation in excess of related depreciation allowances	**General provisions**	**Operating revenue**	**Future benefit of tax losses**	**Others**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Deferred tax arising from:						
At 1 April 2003	–	320	–	–	38	358
Credited to consolidated income statement	175	(94)	622	19	4	726
Effect of exchange rate changes	–	9	16	–	1	26
At 31 March 2004	175	235	638	19	43	1,110
At 1 April 2004	175	235	638	19	43	1,110
Credited to consolidated income statement	(166)	205	120	(19)	(55)	85
Effect of exchange rate changes	2	28	92	–	1	123
At 31 March 2005	**11**	**468**	**850**	**–**	**(11)**	**1,318**

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

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets on the following deductible temporary differences as it is not probable that future taxable profits will be available against which the assets can be utilised:

	2005	2004
	$'000	*$'000*
Future benefit of tax losses	**474**	1,001
Others	**252**	159
	726	1,160

At 31 March 2005, the Group has not recognised deferred tax assets in respect of tax losses, whose expiry dates are:

	2005	2004
	$'000	*$'000*
On 31 March 2006	**–**	343
On 31 March 2007	**474**	658
	474	1,001

(d) Deferred tax liabilities not recognised

At 31 March 2005, temporary differences relating to the undistributed profits of subsidiaries amounted to $21,666,000 (2004: $16,902,000). Deferred tax liabilities of $2,955,000 (2004: $2,382,000) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

26 CHANGES IN ACCOUNTING POLICIES

(a) Goodwill

Prior to 1 April 2004, goodwill arising from the acquisitions of subsidiaries was treated as follows:

– Positive goodwill arising from the acquisition of subsidiaries were amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

– Negative goodwill, to the extent that relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

With effect from 1 April 2004, goodwill is accounted for in accordance with the accounting policy in note 1(e)).

26 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Goodwill *(continued)*

As a result of the change in accounting policy in respect of goodwill, the Group's profit for the year has been increased by $504,000 and the Group's net assets as at 31 March 2005 have been increased by $1,032,000. Negative goodwill at 1 April 2004 of $528,000 has been derecognised by way of an adjustment to the opening balance of retained earnings. No restatement of comparative information has been made.

(b) Intangible assets – trademarks

Prior to 1 April 2004, trademarks acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses. With effect from 1 April 2004, trademarks are accounted for in accordance with the accounting policy in note 1(h)).

As a result of the change in accounting policy in respect of trademarks, the Group's profit for the year and net assets as at 31 March 2005 have been increased by $975,000.

(c) As a result of the above changes in accounting policies, the Group's profit for the year has been increased by a total amount of $1,479,000 and the Group's net assets as at 31 March 2005 have been increased by a total amount of $2,007,000.

27 LOANS FROM MINORITY SHAREHOLDERS

The amount represents convertible notes issued to the minority shareholders of a subsidiary. The convertible notes are unsecured, carry interest at a rate of 4.11% compounded annually and repayable in the year 2010 or earlier if an even of default occurs under the terms of the convertible promissory notes. At the option of the holders, the convertible notes are convertible into preferred shares of the subsidiary.

28 LOANS FROM SHAREHOLDERS

The loans from shareholders were borrowed by Hang Ten (BVI) to finance the acquisition of ILC in December 2001. The loans are unsecured, interest bearing at an annual rate of 6% and due for repayment in the year 2011 or earlier if an event of default occurs under the terms of the loan agreements. Accrued interest of $1,021,000 (2004: $2,460,000) is included under trade and other payables in note 21.

29 DEFERRED INCOME

A subsidiary of the Group entered into an agreement with Itochu Corporation ("Itochu") on 7 May 2004 for the lease of exclusive rights in respect of "Hang Ten" in the Japan territory for a period of 10 years ending 31 March 2014 for a fee of $11,800,000 (net of tax at $10,620,000). An option has been granted to Itochu under this agreement to purchase the exclusive rights at a price of $10,730,000 upon expiry of the 10-year lease period.

Deferred income represents the unearned portion of royalty income and is analysed as follows:

	2005	2004
	$'000	*$'000*
Total deferred income	**10,620**	–
Less: current portion included in trade and other payables *(note 21)*	**(1,180)**	–
	9,440	–

Notes on the Financial Statements *(continued)*

(Expressed in United States dollars)

30 SHARE CAPITAL

	Note	Number of ordinary shares *'000*	Amount of ordinary shares *$'000*	2005 Number of convertible preference shares	Amount of convertible preference shares *$'000*	Total amount *$'000*
Authorised:						
Ordinary shares of HK$0.001 each		**250,000,000**	**32,051**	**–**	**–**	**32,051**
Convertible preference shares ("CPS") of HK$10,000 each		**–**	**–**	**7,307**	**9,368**	**9,368**
Share Consolidation into HK$0.1 each	*(a)*	**(247,500,000)**	**–**	**–**	**–**	**–**
		2,500,000	**32,051**	**7,307**	**9,368**	**41,419**
Issued and fully paid:						
At 1 April 2004		**63,695,000**	**8,166**	**3,453**	**4,427**	**12,593**
Conversion of CPS before Share Consolidation	*(b)*	**14,370,000**	**1,842**	**(1,437)**	**(1,842)**	**–**
Share Consolidation into HK$0.1 each	*(a)*	**(77,284,350)**	**–**	**–**	**–**	**–**
At 31 March 2005		**780,650**	**10,008**	**2,016**	**2,585**	**12,593**

(Expressed in United States dollars)

30 SHARE CAPITAL *(continued)*

		2004				
	Note	Number of ordinary shares *'000*	Amount of ordinary shares *$'000*	Number of convertible preference shares	Amount of convertible preference shares *$'000*	Total amount *$'000*
Authorised:						
Ordinary shares of HK$0.001 each		250,000,000	32,051	–	–	32,051
Convertible preference shares ("CPS") of HK$10,000 each		–	–	7,307	9,368	9,368
		250,000,000	32,051	7,307	9,368	41,419
Issued and fully paid:						
At 1 April 2003		27,200,000	3,487	7,028	9,010	12,497
Conversion of CPS	*(c)*	35,750,000	4,583	(3,575)	(4,583)	–
Issue of shares	*(d)*	745,000	96	–	–	96
At 31 March 2004		63,695,000	8,166	3,453	4,427	12,593

Notes:

(a) Pursuant to a special resolution passed on 11 November 2004, every 100 issued and unissued ordinary shares of HK$0.001 each of the Company were consolidated into one ordinary share of HK$0.10 each ("Share Consolidation").

(b) Prior to the Share Consolidation, 1,437 CPS were converted into 14,370 million ordinary shares of the Company at a conversion price of HK$0.001 each.

(c) During the year ended 31 March 2004, 3,575 CPS were converted into 35,750 million ordinary shares of the Company at a conversion price of HK$0.001 each.

(d) Pursuant to the sale and purchase agreement dated 3 December 2003 entered into between Hang Ten (BVI) and China Investment & Development Company Limited ("CIDC"), 745 million ordinary shares of the Company of HK$0.001 each were issued to CIDC at a price of HK$0.017 per share as consideration to acquire their 2.99% equity interest in ILC.

30 SHARE CAPITAL *(continued)*

Notes: (continued)

(e) The principal rights and restrictions attached to the CPS are summarised below. The CPS holders:

(i) will receive in priority to the holders of ordinary shares, a fixed cumulative cash dividend payable on the principal amount outstanding under the CPS at the rate of 1% per annum;

(ii) may convert all or any part of the CPS into ordinary shares at a conversion price of HK$0.001 each before the Share Consolidation and at a conversion price of HK$0.10 each after the Share Consolidation (subject to adjustments) and all CPS that remain outstanding on the fifth anniversary of the date of issue of the CPS will be mandatorily converted, unless such conversion is restricted as described in (iii) below in which case the mandatory conversion date will automatically be extended for a successive period of 2 years until such conversion is not so restricted;

(iii) may not exercise the conversion rights attached to the CPS if such exercise would result in the number of the Company's ordinary shares, which are in the hands of the public, falling below 25% or the relevant prescribed minimum percentage for the Company as required by the HKSE from time to time;

(iv) will rank in priority to the ordinary shareholders on a return of capital on a winding-up or otherwise, provided that the assets of the Company available for distribution to its shareholders will be applied first towards arrears or accruals of the fixed dividend payable on the CPS before repaying the capital paid up on any CPS or ordinary shares;

(v) will not be entitled to attend or vote at any general meetings of the Company, except at a general meeting of the CPS holders held to vary or abrogate the rights of the CPS holders; and

(vi) may assign or transfer the CPS with the prior approval from the HKSE, if so required.

(f) Warrants

Pursuant to a reorganisation scheme to rationalise the structure of the Group in the preparation for the listing of the Company's shares on the HKSE in January 2003 ("Reorganisation"), 4,402 million warrants in the proportion of one warrant for every five ordinary shares were issued together with the new issue of 22,010 million ordinary shares as consideration for the Company's acquisition of the entire issued share capital of Hang Ten (BVI). As a result of the Share Consolidation, the number of warrants which remained outstanding on 11 November 2004 was adjusted to 44,020,000 and the subscription price was adjusted to HK$1.0 per consolidated share.

No warrants were exercised up to 31 March 2005. Exercise in full of the outstanding 44,020,000 warrants would result in the issue of 44,020,000 ordinary shares of the Company of HK$0.10 each and the receipt by the Company of an aggregate amount of HK$44,020,000 (equivalent to $5.6 million).

The warrant holders:

(i) subject to paragraph (ii) below, are entitled to subscribe for the Company's ordinary shares of HK$0.001 each before the Share Consolidation and HK$0.10 each after the Share Consolidation at an initial subscription price of HK$0.01 each and HK$1.0 each respectively (subject to adjustments);

(ii) may not exercise the subscription rights attached to the warrants if such exercise would result in the number of the Company's shares, which are in the hands of the public, falling below 25% or the relevant prescribed minimum percentage for the Company as required by the HKSE from time to time;

(iii) subject as described in paragraph (ii) above, may exercise the warrants in whole or in part at any time during the three year period following the date of issue of the warrants; all ordinary shares that are issued on an exercise of the warrants will rank pari passu with the other ordinary shares then in issue;

(iv) may transfer the warrants in integral multiples of HK$1,000;

(v) will not be entitled to participate in any distributions or offers of further securities made by the Company by reason only of them being holders of the warrants; and

(vi) will not be entitled to attend or vote any general meetings of the Company by reason only of them being holders of the warrants.

31 RESERVES

The Group

	Contributed surplus $'000	Share premium $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
At 1 April 2003	5,710	–	150	10,559	16,419
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	1,152	–	1,152
Dividends paid	–	–	–	(1,068)	(1,068)
Issue of shares *(note 30(d))*	–	1,528	–	–	1,528
Profit for the year	–	–	–	11,240	11,240
At 31 March 2004	5,710	1,528	1,302	20,731	29,271
At 1 April 2004					
– as previously reported	5,710	1,528	1,302	20,731	29,271
– changes in accounting policies in respect of negative goodwill *(note 26)*	–	–	–	528	528
– as restated	5,710	1,528	1,302	21,259	29,799
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	2,369	–	2,369
Dividends paid	–	–	–	(4,085)	(4,085)
Profit for the year	–	–	–	16,378	16,378
At 31 March 2005	**5,710**	**1,528**	**3,671**	**33,552**	**44,461**

The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for foreign currency translation.

31 RESERVES *(continued)*

The Company

	Contributed surplus $'000	Share premium $'000	Retained profits $'000	Total $'000
At 1 April 2003	14,562	–	1,142	15,704
Dividends paid	–	–	(1,068)	(1,068)
Issue of shares *(note 30(d))*	–	1,528	–	1,528
Profit for the year	–	–	4,218	4,218
At 31 March 2004	14,562	1,528	4,292	20,382
At 1 April 2004	14,562	1,528	4,292	20,382
Dividends paid	–	–	(4,085)	(4,085)
Profit for the year	–	–	5,503	5,503
At 31 March 2005	**14,562**	**1,528**	**5,710**	**21,800**

The excess of the consolidated net assets of Hang Ten (BVI) acquired over the nominal value of the shares issued by the Company pursuant to the Reorganisation completed prior to its listing on the HKSE in January 2003 is credited to contributed surplus. Contributed surplus is available for distribution to shareholders in accordance with the Bermuda Companies Act 1981 subject to certain conditions.

As at 31 March 2005, the aggregate amount of reserves of the Company available for distribution to shareholders amounted to $21,800,000 (2004: $20,382,000) subject to the restriction stated above.

32 LOANS TO OFFICERS

Loans to officers of the Group disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower	Mr Cho Hwan Soo	Mr Tan Yong Huat, Danny
Position	Subsidiary's chief operating officer	Subsidiary's general manager
Terms of the loan		
– duration and repayment terms	2 years and due on 31 August 2005	Repayable on demand
– interest rate	Interest-free	Interest-free
– security	None	None
Balance of the loan		
– at 1 April 2003	$Nil	$Nil
– at 31 March 2004 and at 1 April 2004	$39,000	$22,912
– at 31 March 2005	$Nil	$Nil
Maximum balance outstanding		
– during 2005	$39,000	$22,912
– during 2004	$39,000	$22,912

There was no interest due but unpaid nor any provision made against these loans at 31 March 2005 and 31 March 2004.

33 OPERATING LEASE COMMITMENTS

At 31 March 2005, the total future lease payments under operating leases are payable as follows:

	2005	2004
	$'000	*$'000*
Within one year	**19,565**	19,084
After one year but within five years	**37,799**	26,176
After five years	**4,633**	–
	61,997	45,260

The Group leases a number of properties under operating leases. The leases typically run for an initial period of two to six years, with an option to renew the lease when all terms are renegotiated. The monthly rentals of the leases are either fixed or contingent based on an agreed percentage of the turnover of the respective months. For the purpose of the above disclosure, contingent rentals are based on the minimum rental payments stipulated in the lease agreements.

34 CONTINGENT LIABILITIES

(a) Letters of credit

As at 31 March 2005, outstanding letters of credit of the Group for the purchase of goods amounted to $4,237,000 (2004: $3,626,000).

(b) Withholding tax

In 1997, ILC entered into a two-year service agreement with the Taiwan branch of another subsidiary of the Group, Hang Ten Enterprises Limited (the "Branch"). Pursuant to the agreement, ILC provided decoration design service to retail stores operated by the Branch as well as sales promotion support service to the Branch. The service fees amounted to $3,200,000 for each of the two years ended 31 March 1998 and 1999. In accordance with the Income Tax Law (the "Tax Law") of Taiwan, the service fees are subject to 20% withholding tax. However, the withholding tax rate may be reduced to 3.75% under Article 25 of the Tax Law subject to approval of the Taiwan Tax Authority ("TTA"). As at 31 March 2005, the application filed by ILC with the TTA for a reduction of the withholding tax rate to 3.75% has not yet been approved. If the application is not successful, ILC will be liable to pay an additional withholding tax of approximately $1,040,000. No provision for this amount has been made as the directors consider it highly likely that the TTA will approve the application, on the basis of the success of similar applications previously made by ILC.

(c) Tax exposure in relation to the co-operative arrangement

In December 2003, the Group received a notice of claim from TTA for additional value added tax ("VAT") and penalties in respect of sales made through certain retail shops which are operated under co-operative arrangements with third parties ("Partners") during the period from January 1999 to December 2002. The TTA considers that the Group has excluded a portion of the sales value for the purpose of VAT filings and accordingly, levied additional VAT and penalties on this excluded portion which represents the commission income of the Partners. Up to the approval date of the financial statements, the Group is still in the process of negotiating with the TTA on the notice of claim.

Having taken relevant professional advice, the directors made a provision for the additional VAT in the financial statements but no provision has been made for the penalties as they are confident that the Group has reasonable grounds to refute the penalties.

(Expressed in United States dollars)

35 PLEDGE OF ASSETS

At 31 March 2005, a bank loan of $586,000 (2004: $520,000) was secured by pledge of certain land and buildings with a carrying value of $1,093,000 (2004: $719,000).

At 31 March 2004, the Group's banking facilities which amounted to $9,500,000 were secured by pledge of 620,681 ordinary shares of ILC, representing 97.01% of the issued share capital of ILC. The pledge has been released upon the termination of the banking facilities during the year ended 31 March 2005.

36 PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results or assets of the Group. The class of shares held is ordinary shares unless otherwise stated.

All of these subsidiaries have been consolidated into the consolidated financial statements.

			Proportion of ownership interest			
Name	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**held by the Company**	**held by a subsidiary**	**Principal activities**
Hang Ten (BVI)	British Virgin Islands ("BVI")	$103,821	100%	100%	–	Investment holding
ILC	BVI	$639,830	100%	–	100%	Investment holding
Hang Ten Enterprises Limited	BVI	$50,000	100%	–	100%	Investment holding and wholesale of apparels
Yangtze Apparel Taiwan Enterprise Limited	Taiwan	NT$ 100,000,000	100%	–	100%	Retail and wholesale of apparels
Hang Ten (Phils) Holdings Corporation	BVI	$50,000	100%	–	100%	Investment holding
Hang Ten Phils., Corp	Philippines	PHP50,000,000	55%	–	55%	Retail and wholesale of apparels
Hang Ten Enterprises (Pte) Ltd.	Singapore	SGD1,000,000	100%	–	100%	Retail and wholesale of apparels
Hang Ten Korea Corp.	Korea	KRW 6,000,000,000	92%	–	92%	Retail and wholesale of apparels
Hang Ten Enterprises (M) Sdn Bhd	Malaysia	RM500,000	100%	–	100%	Retail and wholesale of apparels

(Expressed in United States dollars)

36 PARTICULARS OF SUBSIDIARIES *(continued)*

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by a subsidiary	Principal activities
Precise Delta Limited	Hong Kong	HK$1	100%	–	100%	Investment holding
Hang Ten Retail USA, Inc.	United States of America	$16,102	79.91%	–	79.91%	Retail and wholesale of apparels
HTEL (Macau) Limited*	Macau	MOP25,000	100%	–	100%	Retail and wholesale of apparels
HTEL (Hong Kong) Limited*	Hong Kong	HK$2	100%	–	100%	Retail and wholesale of apparels
ILC Trademark Corporation*	BVI	$50,000	100%	–	100%	Trademark ownership and licensing
ILC (Cyprus) Limited*	Cyprus	Cypriot pounds 1,000	100%	–	100%	Investment holding
ILC (Hungary) Limited*	Hungary	$6,400	100%	–	100%	Trademark licensing
HTIL Holdings Corporation N.V.*	Netherlands Antilles	$6,000	100%	–	100%	Investment holding
HTIL Corporation, B.V.*	The Netherlands	NLG40,000	100%	–	100%	Trademark licensing
International Licensing (California) Corp*	United States of America	$10,000	100%	–	100%	Trademark licensing and management

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflected total net assets and total turnover constituting approximately 12.9% and 1.8% respectively of the related consolidated totals.

37 RELATED PARTY TRANSACTIONS

The following transactions with related parties were in the opinion of the directors carried out in the ordinary course of business and on normal commercial terms.

(a) (i) Transactions with Michel Rene Enterprises Limited, a subsidiary of YGM Trading Limited, a substantial shareholder of the Company

	2005	2004
	$'000	*$'000*
Rental income from leasing of retail stores and equipment	**18**	61
Rental expenses for leasing of retail stores	**46**	26
Service fee income in respect of maintenance services for retail stores	**60**	–

(ii) Amount due from Michel Rene Enterprises Limited

	2005	2004
	$'000	*$'000*
Amount due from Michel Rene Enterprises Limited	**50**	21

Details of the terms are stated in note 24.

(b) (i) Transactions with shareholders of the Company

	2005	2004
	$'000	*$'000*
Executive remuneration paid to Mr Dennis Kung	**615**	948
Executive remuneration paid to Mr Kenneth Hung	**924**	748
Interest on loans from shareholders	**1,021**	1,072

(ii) Balances with shareholders

	2005	2004
	$'000	*$'000*
Amounts due to shareholders	**1,200**	938
Loans from shareholders	**16,400**	16,400
Accrued interest on loans from shareholders *(note 21)*	**1,021**	2,460

Details of the terms are stated in notes 4(a), 24 and 28.

37 RELATED PARTY TRANSACTIONS *(continued)*

(c) (i) Transactions with Hang Ten (China) Group Limited, a company wholly owned by the substantial shareholders of the Company

	2005	2004
	$'000	*$'000*
Royalty income and advertising contributions	**194**	265

(ii) Balance with Hang Ten (China) Group Limited

	2005	2004
	$'000	*$'000*
Amount due from Hang Ten (China) Group Limited	**58**	159

Details of the terms are stated in note 24.

(d) (i) Transactions with minority shareholders of non-wholly owned subsidiaries of the Company and their associates

	2005	2004
	$'000	*$'000*
Sales of goods to Global Inc.	**446**	282
Sales of goods to Chua and company	**1,643**	1,363
Royalty income from Avon Dale Garments, Inc.	**106**	109
Loans from minority shareholders of Hang Ten Retail USA, Inc.	**244**	–

(ii) Balances with the minority shareholders and their associates

	2005	2004
	$'000	*$'000*
Amount due from Global Inc.	**48**	36
Amount due from Avon Dale Garments, Inc.	**13**	13
Loans from minority shareholders of Hang Ten Retail USA, Inc.	**244**	–

Details of the terms are stated in notes 24 and 27.

38 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical and business segments. Information related to geographical segments based on the location of customers is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Geographical segments by the location of customers and by the location of assets

The Group's business is managed on a worldwide basis, but operations are conducted in two principal economic environments. Taiwan and Korea are the major markets for the Group's business.

When presenting information on the basis of geographical segments, segment information is based on the geographical location of customers unless otherwise stated. Segment assets and capital expenditure are not further analysed by the geographical locations of the assets, as the Group's assets are located in the same geographical areas as its customers.

(i) An analysis of the Group's revenue and results by geographical segments is as follows:

	2005							
	Taiwan	Korea	Philippines	Singapore	Malaysia	Inter–segment elimination	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	132,248	50,757	5,496	17,506	2,568	–	4,380	212,955
Inter-segment revenue	13,576	113	–	–	–	(14,752)	1,063	–
Total revenue	145,824	50,870	5,496	17,506	2,568	(14,752)	5,443	212,955
Segment result	17,131	4,322	193	539	4	260	(263)	22,186
Finance costs								(1,231)
Income tax								(4,564)
Minority interests								(13)
Profit attributable to shareholders								16,378
Depreciation for the year	1,930	487	236	535	134		58	3,380

38 SEGMENT REPORTING *(continued)*

(i) An analysis of the Group's revenue and results by geographical segments is as follows: (continued)

	2004							
	Taiwan	Korea	Philippines	Singapore	Malaysia	Inter–segment elimination	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	116,175	39,693	6,175	14,898	2,151	–	4,655	183,747
Inter-segment revenue	21,071	86	–	–	–	(21,987)	830	–
Total revenue	137,246	39,779	6,175	14,898	2,151	(21,987)	5,485	183,747
Segment result	13,355	911	331	(66)	(97)	421	312	15,167
Finance costs								(1,459)
Income tax								(1,862)
Minority interests								(606)
Profit attributable to shareholders								11,240
Depreciation and amortisation for the year	2,692	639	259	652	134		585	4,961

(ii) An analysis of the Group's assets and liabilities by geographical segments is as follows:

	Taiwan	**Korea**	**Philippines**	**Singapore**	**Malaysia**	**Inter–segment elimination**	**Unallocated**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 March 2005								
Segment assets	**90,465**	**19,996**	**1,958**	**3,793**	**819**	**(46,460)**	**41,891**	**112,462**
Segment liabilities	**24,276**	**5,336**	**1,366**	**3,842**	**876**	**(46,216)**	**64,011**	**53,491**
At 31 March 2004								
Segment assets	81,683	13,734	1,900	3,900	1,114	(47,600)	33,270	88,001
Segment liabilities	17,256	2,781	1,458	4,494	1,145	(47,112)	64,627	44,649

38 SEGMENT REPORTING *(continued)*

(iii) Segmental capital expenditure

Capital expenditure for the year:

	2005	2004
	$'000	*$'000*
Taiwan	**1,889**	2,303
Korea	**1,350**	1,309
Philippines	**144**	233
Singapore	**419**	320
Malaysia	**130**	158
Unallocated	**540**	4
	4,472	4,327

Business segments

The Group comprises the following main business segments:

(i) Sales of apparels – Retails and wholesale of branded apparels and accessories

(ii) Royalty income – Licensing "Hang Ten" brand to worldwide licensees

	2005	2004
	$'000	*$'000*
Revenue from customers:		
– Sales of apparels	**208,575**	179,092
– Royalty income	**4,380**	4,655
	212,955	183,747
Segment assets:		
– Sales of apparels	**82,237**	56,386
– Royalty income	**3,316**	4,568
– Unallocated (including trademarks)	**26,909**	27,047
	112,462	88,001
Segment capital expenditure:		
– Sales of apparels	**4,472**	4,323
– Royalty income	**–**	4
	4,472	4,327