

Notes to the Financial Statements

For the year ended March 31, 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 16 and 17, respectively.

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 ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2005 except for HKFRS 3 "Business combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended March 31, 2005.

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

The Group has commenced considering the potential impact of these 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 have been prepared under the historical cost convention as modified for the revaluation of investment properties and other investment.

The financial statements have been prepared in accordance with accounting policies generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

Notes to the Financial Statements

For the year ended March 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

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

Investments in subsidiaries

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

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, the Group's interests in associates are stated at the Group's share of net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Notes to the Financial Statements

For the year ended March 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to the property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewal period, is of twenty years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and any accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, as follows:

Freehold land	Nil
Leasehold land and land use rights	Over the terms of the leases or rights
Buildings	4% per annum
Leasehold improvements	Over the shorter of the terms of the leases and five years
Plant and machinery, furniture and fixtures	12.5%-20% per annum
Motor vehicles	12.5%-20% per annum

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where, shorter, the period of the relevant lease.

Notes to the Financial Statements

For the year ended March 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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.

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases 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 liabilities to the lessors, net of interest charges, are included in the balance sheet as finance lease obligations. 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 leases so as to produce a constant periodic rate of charge on the remaining balances 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.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Notes to the Financial Statements

For the year ended March 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities *(continued)*

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Textile quota entitlements

The cost of temporary quota entitlements is charged to the income statement in the year in which they are used.

Permanent quota entitlements purchased from outsiders prior to the abolishment of the quota system are stated at cost less amortisation and any accumulated impairment losses. The cost of permanent quota entitlements is amortised on a straight line method over their estimated useful lives of five years up to the date of abolishment of the quota system.

Trademarks

Trademarks are measured initially at cost and amortised on a straight line basis over their estimated useful lives of ten years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and conditions. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Revenue recognition

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

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

Rental income, including rentals invoiced in advance for properties under operating leases, is recognised on a straight line basis over the period of the relevant leases.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Notes to the Financial Statements

For the year ended March 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense 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 amounts 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the assets 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. Profits and losses arising on exchange are included in net profit or loss for the year.

Notes to the Financial Statements

For the year ended March 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On consolidation, the assets and liabilities of the Group's subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. 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 year in which the subsidiaries are disposed of.

Retirement benefit costs

Contributions payable by the Group to its defined contribution retirement benefit schemes and the Hong Kong Mandatory Provident Fund Scheme are charged to the income statement in the period in which they become payable.

4. SEGMENT INFORMATION

Business segments

The Group is principally engaged in the manufacture and sale of garments. Accordingly, no business segments analysis of financial information is provided.

Geographical segments

The Group's manufacture and sale of garments business is principally located in the United States of America ("USA"), Canada, Asia and Europe and others.

Notes to the Financial Statements

For the year ended March 31, 2005

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

The Group reports its primary segment information on geographical location of its customers and the segment information about these geographical markets is presented below:

2005

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
TURNOVER					
Sales of goods	1,733,850	21,514	136,130	71,104	1,962,598
SEGMENT RESULT					
	86,352	835	443	6,552	94,182
Other operating income					4,827
Profit from operations					99,009
Finance costs					(1,365)
Loss on disposal of interests in associates					(310)
Share of results of associates	626	10	85	6	727
Profit before taxation					98,061
Income tax expenses					(18,344)
Profit after taxation					79,717

Notes to the Financial Statements

For the year ended March 31, 2005

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of the Group's customers, as at March 31, 2005:

2005

	USA <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Europe and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	491,953	10,984	80,791	21,845	605,573
Interests in associates	5,577	58	495	29	6,159
Unallocated corporate assets					246,089
Consolidated total assets					857,821
LIABILITIES					
Segment liabilities	250,948	4,154	28,785	10,729	294,616
Unallocated corporate liabilities					19,283
Consolidated total liabilities					313,899
OTHER INFORMATION					
Capital expenditure	31,765	1,732	14,621	1,153	49,271
Depreciation and amortisation	21,299	517	3,761	1,020	26,597

Notes to the Financial Statements

For the year ended March 31, 2005

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

2004

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
TURNOVER					
Sales of goods	1,523,680	19,632	136,860	65,488	1,745,660
SEGMENT RESULT					
	105,594	1,629	8,724	7,728	123,675
Other operating income					5,003
Profit from operations					128,678
Finance costs					(835)
Loss on disposal of interests in associates					(466)
Share of results of associates	693	40	400	35	1,168
Profit before taxation					128,545
Income tax expenses					(23,668)
Profit after taxation					104,877

Notes to the Financial Statements

For the year ended March 31, 2005

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of the Group's customers, as at March 31, 2004:

2004

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	465,651	8,903	69,390	23,624	567,568
Interests in associates	8,076	142	1,453	103	9,774
Unallocated corporate assets					356,226
Consolidated total assets					933,568
LIABILITIES					
Segment liabilities	227,693	3,154	21,867	11,151	263,865
Unallocated corporate liabilities					25,557
Consolidated total liabilities					289,422
OTHER INFORMATION					
Capital expenditure	15,216	329	2,732	798	19,075
Depreciation and amortisation	20,857	512	4,051	1,079	26,499

Notes to the Financial Statements

For the year ended March 31, 2005

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

In addition to the analysis by the geographical location of the Group's customers, the following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	92,096	90,600	740	3,399
Hong Kong	416,049	529,086	2,236	2,250
People's Republic of China, other than Hong Kong (the "PRC")	295,766	268,423	39,419	11,580
Others	53,910	45,459	6,876	1,846
	857,821	933,568	49,271	19,075

5. OTHER OPERATING INCOME

	2005	2004
	HK\$'000	HK\$'000
Bank interest income	1,843	1,810
Gain on disposal of property, plant and equipment	–	10
Rental income from properties under operating leases, net of outgoings of HK\$88,000 (2004: HK\$109,000)	2,897	2,840
Unrealised holding gain on other unlisted investments	87	343
	4,827	5,003

Notes to the Financial Statements

For the year ended March 31, 2005

6. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' emoluments (<i>note 8</i>)		
Fees	340	300
Other emoluments	11,217	10,814
Retirement benefits scheme contributions	36	48
	11,593	11,162
Other staff costs	285,538	268,565
Retirement benefits scheme contributions, excluding directors	7,169	6,863
Total staff costs	304,300	286,590
Amortisation of intangible assets (HK\$73,000 (2004: HK\$79,000) included in administrative expenses, HK\$51,000 (2004: HK\$51,000) included in cost of sales)	124	130
Auditors' remuneration	1,182	1,062
Depreciation and amortisation of property, plant and equipment	26,473	26,369
Loss on disposal of property, plant and equipment	91	-
Temporary quota expenses	22,950	31,097

7. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings and bills discounted	1,338	805
Finance leases	27	30
	1,365	835

Notes to the Financial Statements

For the year ended March 31, 2005

8. DIRECTORS' EMOLUMENTS

Particulars of the emoluments of the directors are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' fees:		
Executive directors	-	-
Non-executive directors		
Independent	220	180
Other	120	120
	340	300
Other emoluments:		
Executive directors		
Salaries and other benefits	8,607	8,381
Performance related incentive payments	1,674	1,452
Retirement benefits scheme contributions	36	48
Non-executive directors		
Independent	-	-
Other, being salaries and other benefits	936	981
Retirement benefits scheme contributions	-	-
	11,253	10,862
	11,593	11,162

The aggregate emoluments of each of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$2,000,001 to HK\$2,500,000	1	-
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	-
HK\$5,500,001 to HK\$6,000,000	-	1

Notes to the Financial Statements

For the year ended March 31, 2005

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three directors (2004: two), details of whose emoluments are set out in note 8 above. The emoluments of the remaining two (2004: three) highest paid individuals were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and other benefits	9,268	9,249
Performance related incentive payments	802	4,194
Retirement benefits scheme contributions	12	23
	10,082	13,466

The aggregate emoluments of each of the employees were within the following bands:

	Number of employees	
	2005	2004
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$7,000,001 to HK\$7,500,000	1	–
HK\$8,500,001 to HK\$9,000,000	–	1

During the years ended March 31, 2005 and 2004, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the years ended March 31, 2005 and 2004.

Notes to the Financial Statements

For the year ended March 31, 2005

10. INCOME TAX EXPENSES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Taxation attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong	14,460	14,631
PRC	576	1,380
Other jurisdictions	1,763	3,128
	16,799	19,139
Underprovision in prior years	516	1,178
	17,315	20,317
Deferred tax charge (credit) (note 26):		
Current year	949	3,320
Attributable to a change in Hong Kong Profits Tax rate	–	(157)
	949	3,163
Share of taxation attributable to associates	80	188
	18,344	23,668

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Holidays"). Two (2004: two) of the subsidiaries of the Company is subject to enterprise income tax in the PRC at a reduction rate of 50% during the year ended March 31, 2005.

Notes to the Financial Statements

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10. INCOME TAX EXPENSES (continued)

During the year ended March 31, 2005, a subsidiary of the Company received protective profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK\$2.6 million relating to the year of assessment 1998/99, that is, for the financial year ended March 31, 1999. The protective profits tax assessment relates mainly to the subsidiary's income derived from its manufacturing operations in the PRC. The subsidiary lodged an objection with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificate in the amount of HK\$2.6 million being purchased by the subsidiary. The subsidiary had purchased the tax reserve certificate during the year.

In the opinion of the directors, the subsidiary's income derived from its manufacturing activities in the PRC is not arising in or derived from Hong Kong and accordingly not subject to Hong Kong Profits Tax. No tax provision in respect of the protective assessments is considered necessary.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2005		2004	
	HK\$'000	%	HK\$'000	%
Profit before taxation	98,061		128,545	
Tax at the domestic income tax rate	17,161	17.5	22,495	17.5
Tax effect of expenses that are not deductible in determining taxable profit	3,917	4.0	2,985	2.3
Tax effect of income that is not taxable in determining taxable profit	(8,581)	(8.7)	(7,088)	(5.5)
Tax effect of tax losses not recognised	4,043	4.1	6,680	5.2
Tax effect of other deferred tax assets not recognised	–	–	45	–
Utilisation of tax losses previously not recognised	(401)	(0.4)	(262)	(0.2)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	–	–	(157)	(0.1)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,689	1.7	(2,190)	(1.7)
Underprovision in prior years	516	0.5	1,178	0.9
Others	–	–	(18)	–
Tax expenses and effective tax rate for the year	18,344	18.7	23,668	18.4

Details of deferred taxation for the year are set out in note 26.

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11. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim dividends paid in respect of year ended:		
– March 31, 2005 (HK6.0 cents per share)	21,128	–
– March 31, 2004 (HK6.0 cents per share)	–	21,128
Special dividends paid in respect of year ended:		
– March 31, 2005 (HK33.0 cents per share)	116,205	–
– March 31, 2003 (HK3.0 cents per share)	–	10,564
Final dividends paid in respect of year ended:		
– March 31, 2004 (HK13.5 cents per share)	47,539	–
– March 31, 2003 (HK12.0 cents per share)	–	42,256
	184,872	73,948

The final dividend of HK14.0 cents per share (2004: HK13.5 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the next general meeting.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$70,698,000 (2004: HK\$95,468,000) and on the number of 352,137,298 shares (2004: 352,137,298 shares) in issue during the year.

There were no potential dilutive ordinary shares for the years presented.

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For the year ended March 31, 2005

13. INVESTMENT PROPERTIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
VALUATION		
Balance brought forward	22,298	11,740
Transferred from property, plant and equipment	–	9,003
Revaluation increase	13,366	1,555
Balance carried forward	35,664	22,298

The investment properties of the Group were revalued at March 31, 2005 on the open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers. This valuation gave rise to a revaluation increase of HK\$13,366,000 (2004: HK\$1,555,000) which has been credited to the investment property revaluation reserve. All of the investment properties of the Group are rented out under operating leases.

The investment properties of the Group are held under medium-term leases and are situated in Hong Kong.

Notes to the Financial Statements

For the year ended March 31, 2005

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Leasehold improvements, plant and machinery, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At April 1, 2004	124,821	216,977	5,295	347,093
Currency realignment	73	82	1	156
Additions	20,675	27,562	1,034	49,271
Disposals	-	(4,647)	(842)	(5,489)
At March 31, 2005	145,569	239,974	5,488	391,031
DEPRECIATION AND AMORTISATION				
At April 1, 2004	35,262	159,693	3,962	198,917
Currency realignment	10	59	1	70
Provided for the year	4,237	21,586	650	26,473
Eliminated on disposals	-	(4,247)	(754)	(5,001)
At March 31, 2005	39,509	177,091	3,859	220,459
NET BOOK VALUES				
At March 31, 2005	106,060	62,883	1,629	170,572
At March 31, 2004	89,559	57,284	1,333	148,176

Land and buildings include medium-term land use rights and buildings situated in the PRC with an aggregate net book value amounting to approximately HK\$65,329,000 (2004: HK\$48,265,000) and freehold land and buildings situated overseas with an aggregate net book value amounting to approximately HK\$15,370,000 (2004: HK\$14,929,000). All other land and buildings of the Group are situated in Hong Kong and held under medium-term leases.

The net book value of property, plant and equipment includes an amount of approximately HK\$491,000 (2004: HK\$502,000) in respect of assets held under finance leases.

Notes to the Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements, plant and machinery, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At April 1, 2004	7,624	710	8,334
Additions	86	-	86
At March 31, 2005	7,710	710	8,420
DEPRECIATION			
At April 1, 2004	6,732	438	7,170
Provided for the year	257	142	399
At March 31, 2005	6,989	580	7,569
NET BOOK VALUES			
At March 31, 2005	721	130	851
At March 31, 2004	892	272	1,164

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15. INTANGIBLE ASSETS

	Permanent textile quota entitlements <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
COST			
At April 1, 2004 and March 31, 2005	255	774	1,029
AMORTISATION			
At April 1, 2004	204	156	360
Provided for the year	51	73	124
At March 31, 2005	255	229	484
CARRYING AMOUNT			
At March 31, 2005	–	545	545
At March 31, 2004	51	618	669

Notes to the Financial Statements

For the year ended March 31, 2005

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares/investments, at cost	90,040	78,817

Particulars of the Company's principal subsidiaries at March 31, 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital (HK\$ unless otherwise indicated)	Class of share held	Proportion of nominal value of issued share capital/ common stock/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Attune New York Inc.	USA (a)	US\$90,000	Ordinary	-	100	Garment trading
Do Do Fashion Limited	Hong Kong (a)	720,000	Ordinary	100	-	Garment manufacture
Dorcash Industrial Limited	Hong Kong (a)	20	Ordinary	100	-	Property holding
Fashiontex Sdn. Bhd.	Malaysia (a)	M\$3,000,000	Ordinary	100	-	Garment manufacture
Golden Fountain Industrial Company Limited	Hong Kong (a)	500,000	Ordinary	100	-	Property holding
Golden Will Fashions Limited	Hong Kong (a)	10,000	Ordinary	-	60	Garment trading
Golden Will Fashions Phils., Inc.	The Philippines (a)	P\$30,000,000	Ordinary	-	60	Garment manufacture
Sing Yang (Overseas) Limited	Hong Kong* (a)	100,000	Ordinary	100	-	Garment manufacture
Sing Yang Services Limited	Hong Kong (a)	100,000	Ordinary	100	-	Management services
Sing Yang Trading Limited	Hong Kong (a)	100,000	Ordinary	100	-	Garment trading
THL Inc.	USA (a)	US\$10,000	Ordinary	-	100	Garment trading
Tung Thai Fashions Limited	Thailand (a)	Baht100,000,000	Ordinary	100	-	Garment manufacture
Tungtex Trading Company Limited	Hong Kong (a)	6,000,000	Ordinary	100	-	Garment manufacture
Tungtex (UK) Limited	United Kingdom (a)	£10,000	Ordinary	100	-	Provision of agency services in garments
Tungtex (U.S.A.) Inc.	USA (a)	US\$838,802	Ordinary	100	-	Investment holding
West Pacific Enterprises Corporation	USA (a)	US\$3,217,836	Ordinary	-	100	Garment design and trading
Winnertex Fashions Limited	Hong Kong (a)	100	Ordinary	-	75	Garment manufacture
Yellow River, Inc.	USA (a)	US\$80,000	Ordinary	-	51	Garment design and trading
中山同得仕絲綢服裝有限公司	PRC (b)	22,800,000	Registered capital	-	90	Garment manufacture
華裳服裝(深圳)有限公司	PRC (c)	5,000,000	Registered capital	-	100	Garment manufacture
深圳百多爾時裝有限公司	PRC (c)	Rmb2,500,000	Registered capital	-	100	Garment manufacture
同得仕(杭州)時裝有限公司	PRC (c)	US\$1,450,000	Paid up capital	100	-	Garment manufacture

* Sing Yang (Overseas) Limited operates in the PRC.

Notes to the Financial Statements

For the year ended March 31, 2005

16. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

- (a) These companies are private limited companies.
- (b) These companies are sino-foreign equity enterprises.
- (c) These companies are wholly foreign owned enterprises.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

17. INTERESTS IN ASSOCIATES

	2005 HK\$'000	2004 HK\$'000
THE GROUP		
Share of net assets	6,159	9,774
THE COMPANY		
Capital contribution, at cost	1,686	1,686

Particulars of the Group's associates at March 31, 2005, which are registered and operated in the PRC as sino-foreign equity enterprises, are as follows:

Name of associate	Class of share held	Proportion of registered capital held by the Group		Principal activities
		Directly %	Indirectly %	
番禺市金源時裝有限公司	Registered capital	-	30	Garment manufacture
嵯州同泰絲服飾有限公司	Registered capital	30	-	Garment manufacture
德清華高時裝有限公司	Registered capital	-	25	Garment manufacture

During the year ended March 31, 2005, the Group disposed of its entire 25% equity interest in 深圳浙絲服裝有限公司.

Notes to the Financial Statements

For the year ended March 31, 2005

18. INVESTMENTS IN SECURITIES

	THE GROUP AND THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Non-current investments		
Investment securities, being overseas listed shares, at cost	581	581
Less: Impairment loss	(281)	(281)
	300	300
Other unlisted investments, at fair value	1,978	1,891
	2,278	2,191
Market value of listed shares at March 31	344	335

19. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	48,428	43,028
Work in progress	68,117	69,422
Finished goods	50,549	51,710
	167,094	164,160

Included above are raw materials of HK\$2,216,000 (2004: HK\$1,354,000), work in progress of HK\$289,000 (2004: Nil) and finished goods of HK\$972,000 (2004: HK\$1,832,000) which are carried at net realisable values.

Notes to the Financial Statements

For the year ended March 31, 2005

20. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables with the following aged analysis:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Up to 30 days	180,806	164,369
31 – 60 days	32,345	44,923
61 – 90 days	7,470	10,135
	220,621	219,427

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aged analysis:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Up to 30 days	80,649	103,926
31 – 60 days	58,167	42,703
61 – 90 days	22,675	13,385
More than 90 days	7,604	2,295
	169,095	162,309

Notes to the Financial Statements

For the year ended March 31, 2005

22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amount payable under finance leases:				
Within one year	207	223	186	198
In the second to fifth year inclusive	203	193	172	178
	410	416		
Less: Future finance charges	(52)	(40)		
Present value of lease obligations	358	376	358	376
Less: Amount due within one year shown under current liabilities			(186)	(198)
Amount due after one year			172	178

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is three years. For the year ended March 31, 2005, the effective borrowing rate was 6% (2004: 14.6%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

Notes to the Financial Statements

For the year ended March 31, 2005

23. BANK BORROWINGS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank borrowings comprise the following:		
Bank overdrafts	5,434	7,107
Trust receipt loans	3,746	10,376
Bank loan	3,719	–
	12,899	17,483
Analysed as:		
Secured	9,179	16,376
Unsecured	3,720	1,107
	12,899	17,483

All bank borrowings at the balance sheet date are repayable within one year or upon demand and are included under current liabilities. The outstanding bank borrowings as at the balance sheet date bear interest at prevailing market rates.

24. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.20 each		
At April 1, 2003, March 31, 2004 and 2005	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.20 each		
At April 1, 2003, March 31, 2004 and 2005	352,137,298	70,428

Notes to the Financial Statements

For the year ended March 31, 2005

25. RESERVES

	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
Balance at April 1, 2003	84,880	3,848	114,444	203,172
Net profit for the year	–	–	103,809	103,809
Dividends (<i>note 11</i>)	–	–	(73,948)	(73,948)
Balance at March 31, 2004	84,880	3,848	144,305	233,033
Net profit for the year	–	–	195,225	195,225
Dividends (<i>note 11</i>)	–	–	(184,872)	(184,872)
Balance at March 31, 2005	84,880	3,848	154,658	243,386

The Company's reserves available for distribution to shareholders as at March 31, 2005 comprise the accumulated profits of HK\$154,658,000 (2004: HK\$144,305,000).

Notes to the Financial Statements

For the year ended March 31, 2005

26. DEFERRED TAXATION

THE GROUP

The major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting years are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At April 1, 2003	(3,331)	3,877	1,228	1,774
Credited (charged) to income for the year	505	(3,198)	(627)	(3,320)
Effect of change in tax rate (charged) credited to the income statement	(312)	363	106	157
At March 31, 2004	(3,138)	1,042	707	(1,389)
Charged to income for the year	(332)	(275)	(342)	(949)
At March 31, 2005	(3,470)	767	365	(2,338)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Deferred tax assets	1,093	1,975
Deferred tax liabilities	(3,431)	(3,364)
	(2,338)	(1,389)

At the balance sheet date, the Group has unused tax losses of HK\$111 million (2004: HK\$92 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$4 million (2004: HK\$6 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$107 million (2004: HK\$86 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$48 million (2004: HK\$41 million) that can be carried forward for five years and losses of HK\$32 million (2004: HK\$22 million) that can be carried forward for twenty years. Other losses may be carried forward indefinitely.

Notes to the Financial Statements

For the year ended March 31, 2005

26. DEFERRED TAXATION (continued)

No provision for deferred tax has been made for taxes which would arise or the remittance of accumulated profits of overseas companies to Hong Kong as it is not anticipated that these amounts will be remitted in the near future.

THE COMPANY

	Differences between accounting and tax depreciation HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At April 1, 2003	151	887	-	1,038
Credited (charged) to income for the year	13	188	(11)	190
Effect of change in tax rate credited to the income statement	14	83	-	97
At March 31, 2004	178	1,158	(11)	1,325
Credited (charged) to income for the year	25	(958)	(15)	(948)
At March 31, 2005	203	200	(26)	377

At March 31, 2005, the Company has unused tax losses of HK\$1,145,000 (2004: HK\$6,618,000) available for offset against future profits and the respective deferred tax asset has been recognised due to predictability of future profit streams.

27. MAJOR NON-CASH TRANSACTIONS

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 contracts of HK\$349,000 (2004: HK\$163,000).

Notes to the Financial Statements

For the year ended March 31, 2005

28. OPERATING LEASES COMMITMENTS

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK\$20,700,000 (2004: HK\$22,158,000) in respect of rented premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	16,235	16,191
In second to fifth year inclusive	29,647	24,381
Over five years	15,645	12,907
	61,527	53,479

Operating lease payments represent rentals payable by the Group for certain of its office premises and retail shops. Leases are negotiated for an average term of four years and rentals are fixed for an average of one year.

The Group as lessor

Property rental income earned during the year was HK\$2,985,000 (2004: HK\$2,949,000). The properties held have committed tenants for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,142	2,009
In second to fifth year inclusive	1,615	2,106
	3,757	4,115

Notes to the Financial Statements

For the year ended March 31, 2005

29. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company had capital expenditure committed as follows:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	1,155	86	889	-
Capital investment in respect of capital contribution in a subsidiary contracted but not provided for in the financial statements	-	-	27,477	-

30. CONTINGENT LIABILITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bills discounted with recourse	67,315	60,943

The Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of HK\$147 million (2004: HK\$147 million). The Company has also issued unlimited guarantees to banks to secure banking facilities granted to certain subsidiaries. The extent of the above facilities utilised by the subsidiaries at March 31, 2005 amounted to HK\$13 million (2004: HK\$17 million).

Notes to the Financial Statements

For the year ended March 31, 2005

31. PLEDGE OF ASSETS

At the balance sheet date, the following assets have been pledged to banks to secure general banking facilities granted to the Group:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Land and buildings	19,875	20,664
Investment properties	8,198	6,019
Pledged bank deposits	232	-

32. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "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 Group contributes the lower of 5% or HK\$1,000 of the relevant payroll costs, for each of the employees every month, to the Scheme, which contribution is matched by employees.

The employees in the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

In addition, certain subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit schemes as stipulated by relevant local authorities. The employees are entitled to the Company's contributions subject to the regulations of the relevant local authorities.

The total cost charged to the income statement of HK\$7,205,000 (2004: HK\$6,911,000) represents contributions payable to these schemes by the Group in respect of the current accounting year.

Notes to the Financial Statements

For the year ended March 31, 2005

33. CONNECTED TRANSACTIONS AND RELATED PARTIES TRANSACTIONS

- (a) During the year, the Group had transactions with connected persons and related parties, details of which are set out as follows:

(I) Connected transactions

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fabric print and artwork services from Fine Print Studio Inc. ("Fine Print")	3,514	2,199
Rental income received from Fine Print	292	231

Fine Print is wholly owned by Mr. Peter Kan Mui, a minority shareholder of a subsidiary, and his associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange).

The above transactions were carried out in accordance with the terms agreed by both parties.

(II) Related party transactions

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Purchase of raw materials and finished goods from the Group's associates	36,884	15,937

The above transactions were carried out at cost plus a percentage of profit mark up.

Save as disclosed above, there were no other significant transactions with connected persons or related parties during the year.

Notes to the Financial Statements

For the year ended March 31, 2005

33. CONNECTED TRANSACTIONS AND RELATED PARTIES TRANSACTIONS *(continued)*

- (b) The Group and the Company have the following balances with related parties at the balance sheet date:

The Group

- (I) Amount due from an associate of HK\$735,000 (2004: HK\$735,000) which is unsecured, non-interest bearing and has no fixed repayment terms.
- (II) Amount due to an associate of HK\$11,699,000 (2004: HK\$7,605,000) which represents trading balance and is aged within 60 days.

The Company

- (I) Amounts due from subsidiaries of HK\$237,107,000 (2004: HK\$185,907,000) which are unsecured and have no fixed repayment terms. Included in the amount is a balance of HK\$37,120,000 (2004: HK\$22,110,246) which bears interest at Hong Kong Prime Rate and the remaining balances are non-interest bearing.
- (II) Amounts due to subsidiaries of HK\$21,813,000 (2004: HK\$2,763,000) which are unsecured and have no fixed repayment terms. Included in the amount is a balance of HK\$19,035,000 (2004: Nil) which bears interest at 3% per annum and the remaining balances are non-interest bearing.