1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in garment manufacture and trading and details are set out in note 24.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (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 those other new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have 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 and in accordance with accounting principles 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.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from or up to their effective dates of acquisition or disposal, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

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

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

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

Leasehold improvements	10 – 20%
Machinery and equipment	5 – $33^1/_3$%
Furniture and office equipment	10 – $33^1/_3$%
Motor vehicles	10 – 20%

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these 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. Impairment losses are recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

Operating leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. All other leases are classified as operating leases.

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to 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.

Textile quotas

Revenue from the sale of, and the cost of acquiring, temporary textile quotas are dealt with in the income statement in the year in which they are utilised. Textile quotas allocated by the authorities are not capitalised and are not included as assets in the balance sheet. The cost of permanent textile quotas acquired are amortised over a fixed period of not exceeding five years or the remaining life of the relevant textile quota agreement, whichever is the shorter.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

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

Retirement benefit scheme

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expenses as they fall due.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold during the year.

(A) Business segments

The Group's entire turnover and over 90% (2004: over 90%) of the Group's segment assets are contributed by its garment business and therefore no business segment analysis is presented.

(B) Geographical segments

The Group's operations are located in Hong Kong. All the Group's turnover and contribution to results were derived from the sales to the United States of America ("USA").

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USA	**16,025**	11,024	**–**	–
Hong Kong	**37,260**	39,921	**–**	–
Mainland China (the "PRC")	**40,070**	35,072	**986**	3,395
	93,355	86,017	**986**	3,395

5. PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments *(note)*	**687**	1,101
Other staff costs	**4,501**	4,219
Other staff's retirement benefit scheme contributions	**164**	162
Total staff costs	**5,352**	5,482
Auditors' remuneration:		
– current year	**380**	365
– overprovision in prior years	**(5)**	(34)
Allowance for inventories	**722**	–
Depreciation	**2,490**	2,191
Loss on disposals of property, plant and equipment	**–**	39
Operating lease rentals in respect of:		
– rented premises	**809**	743
– motor vehicle	**240**	10
Textile quota expenses	**10,508**	16,397
Cost of inventories recognised as expense	**93,437**	88,642
and after crediting:		
Bank interest income	**192**	98
Gain on realisation of equity-linked note	**–**	186
Gain on disposals of property, plant and equipment	**9**	–

5. PROFIT BEFORE TAXATION *(continued)*

Note: Information regarding directors' and employees' emoluments

	2005	2004
	HK$'000	*HK$'000*
Directors' emoluments		
Directors' fees:		
Executive	**150**	80
Independent non-executive	**106**	100
Non-executive	**41**	–
	297	180
Other emoluments to executive directors:		
Salaries and others	**390**	910
Retirement benefit scheme contributions	**–**	11
	390	921
	687	1,101

The emoluments of each of the directors were below HK$1,000,000.

Employees' emoluments

The five highest paid individuals of the Group included one director (2004: two directors), whose emoluments are disclosed above. The emoluments of the remaining four (2004: three) highest paid employees are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and others	**1,676**	1,215
Retirement benefit scheme contributions	**44**	37
	1,720	1,252

The emoluments of each of the four (2004: three) highest paid employees were below HK$1,000,000.

6. TAXATION (CHARGE) CREDIT

	2005 HK$'000	2004 HK$'000
The taxation (charge) credit comprises:		
Hong Kong Profits Tax		
– current year	**(1,289)**	(706)
– overprovision in prior years	**–**	2,423
	(1,289)	1,717
Deferred taxation		
– deferred taxation credit *(note 16)*	**124**	386
	(1,165)	2,103

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

For the year ended March 31, 2004, Koniko Company Limited, a wholly owned subsidiary of the Company, successfully agreed the basis of offshore income claims with the Hong Kong Inland Revenue Department. As a result, prior years' tax provisions of approximately HK$2,423,000 were reversed and credited to the income statement for the year of 2004.

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

	2005 HK$'000	2004 HK$'000
Profit before taxation	**11,701**	8,191
Tax at the domestic income tax rate of 17.5%	**(2,048)**	(1,433)
Tax effect of expenses that are not deductible in determining taxable profit	**(433)**	(60)
Tax effect of income that is not taxable in determining taxable profit	**1,534**	1,307
Overprovision in prior years	**–**	2,423
Tax effect of unrecognised tax losses	**(466)**	(202)
Effect of different tax rate of the subsidiary operating in other jurisdiction	**188**	68
Others	**60**	–
Tax (charge) credit for the year	**(1,165)**	2,103

7. DIVIDEND

	2005 HK$'000	2004 HK$'000
Final dividend of HK$0.02 per share (2004: HK$0.02 per share)	**3,341**	3,341

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of approximately HK$10,536,000 (2004: HK$10,294,000) and on 167,031,016 (2004: 167,031,016) ordinary shares in issue during the year.

No diluted earnings per share figures have been shown as there were no potential ordinary shares outstanding in both years.

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Machinery and equipment *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE GROUP					
COST					
At April 1, 2004	1,952	16,074	3,882	2,709	24,617
Additions	32	651	303	–	986
Disposals	–	(290)	(91)	–	(381)
At March 31, 2005	1,984	16,435	4,094	2,709	25,222
DEPRECIATION					
At April 1, 2004	1,927	11,536	3,134	2,061	18,658
Provided for the year	41	1,925	328	196	2,490
Eliminated on disposals	–	(274)	(90)	–	(364)
At March 31, 2005	1,968	13,187	3,372	2,257	20,784
NET BOOK VALUES					
At March 31, 2005	16	3,248	722	452	4,438
At March 31, 2004	25	4,538	748	648	5,959

9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements	Furniture and office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At April 1, 2004 and March 31, 2005	124	92	216
DEPRECIATION			
At April 1, 2004	106	75	181
Provided for the year	18	15	33
At March 31, 2005	124	90	214
NET BOOK VALUES			
At March 31, 2005	–	2	2
At March 31, 2004	18	17	35

10. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries *(Note)*	**23,740**	23,725
	23,740	23,725

Particulars of the principal subsidiaries of the Company as at March 31, 2005 are set out in note 24.

Note: The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinions of the directors, the amounts are unlikely to be repaid within the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

11. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**13,528**	13,372
Work in progress	**13,098**	9,253
Finished goods	**5,657**	5,969
	32,283	28,594

At March 31, 2005, raw materials with an amount of approximately HK$465,000 (2004: nil) were carried at net realisable value.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK$16,025,000 (2004: HK$11,024,000) and all aged within 30 days.

Credit policy:

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale.

It is the policy of the Group to allow settlement on an open account basis only by customers who have a good payment record and well-established relationships with the Group. The credit period for such customers is reviewed periodically in response to financial conditions, orders on hand and other credit information.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$18,553,000 (2004: HK$13,631,000) and all aged within 90 days.

14. SHARE CAPITAL

	2005 & 2004	
	Number of ordinary shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	167,031,016	1,670

15. RESERVES

THE GROUP

Details of movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 15.

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation on May 25, 1993, together with the amounts transferred from share capital and share premium account as a result of the capital reduction taken place in August 2001, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

	Contributed surplus	Capital redemption reserve	(Deficit) surplus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
Balance at April 1, 2003	12,423	3,781	(1,281)	14,923
Profit for the year	–	–	7,786	7,786
Balance at March 31, 2004	12,423	3,781	6,505	22,709
Dividend paid	(3,341)	–	–	(3,341)
Profit for the year	–	–	8,148	8,148
Balance at March 31, 2005	9,082	3,781	14,653	27,516

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired on May 25, 1993, the date at which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, together with the amounts transferred from share capital and share premium account as a result of the capital reduction, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

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

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

15. RESERVES *(continued)*

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

	2005	2004
	HK$'000	*HK$'000*
– Contributed surplus	**9,082**	12,423
– Surplus	**14,653**	6,505
	23,735	18,928

16. DEFERRED TAXATION

A summary of the deferred tax liability recognised and movement thereon during the current and prior year is as follows:

	Accelerated tax depreciation
	HK$'000
At April 1, 2003	714
Credit to income for the year	(386)
At April 1, 2004	328
Credit to income for the year	(124)
At March 31, 2005	204

At the balance sheet date, the Group has unused tax losses of HK$10,239,000 (2004: HK$10,431,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

At the balance sheet date, the Company has unused tax losses of HK$10,053,000 (2004: HK$10,371,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

17. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company was committed to make the following future minimum lease payments in respect of rented premises and a motor vehicle under non-cancellable operating leases with an average lease term of 1 year which fall due as follows:

	2005		2004	
	Rented premises	**Motor vehicle**	Rented premises	Motor vehicle
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
Within one year	**513**	**230**	513	230
THE COMPANY				
Within one year	**438**	**230**	438	230

18. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Capital expenditure in respect of investment in the PRC contracted for but not provided in the financial statements	**7,410**	–

The Company had no capital commitments at the balance sheet date.

19. PLEDGE OF ASSETS

At the balance sheet date, the Company pledged its bank deposit of HK$8,144,000 (2004: HK$8,031,000) to secure the credit facilities granted to the Company.

In addition, certain of the Company's wholly-owned subsidiaries have subordinated their intercompany debts due from the Company of HK$2,680,000 (2004: HK$7,347,000) to secure the credit facilities granted to the Company.

20. CONTINGENT LIABILITIES

At March 31, 2005, the Company had given corporate guarantees of HK$20,000,000 (2004: HK$20,000,000) to secure general banking facilities granted to a subsidiary. The amount utilised by the subsidiary at the balance sheet date amounted to approximately HK$3,575,900 (2004: HK$1,042,000).

21. SHARE OPTION SCHEMES

Old Scheme

The Company's share option scheme (the "Old Scheme") was adopted on October 11, 1999 pursuant to a resolution passed by the Company's shareholders on August 16, 1999 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and expired on October 10, 2004. Under the Old Scheme, the Board of Directors of the Company was authorised to grant options at a consideration of HK$1 per option to the Eligible Employees to subscribe for shares in the Company. No options have been granted under the Old Scheme since its adoption.

New Scheme

The Company's share option scheme (the "New Scheme") was adopted on September 17, 2004 pursuant to a resolution passed by the Company's shareholders on September 17, 2004 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on September 16, 2014. Under the New Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK$1 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the New Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the New Scheme at the date of adoption time. The number of shares in respect of which options granted and may be granted to any Eligible Employee is not permitted to exceed 30% of the aggregate number of shares for the time being issued and issuable under the New Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK$1 per option by the grantee.

An option may be exercised at any time during a period not exceeding twelve months commencing after the date the option is accepted. The expiry of the option may be determined by the Board of Directors of the Company which shall not later than the last day of such period.

The exercise price is determined by the Directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the 5 trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

No options have been granted under the New Scheme since its adoption.

22. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which is matched by employees.

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

23. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

	2005	2004
	HK$'000	*HK$'000*
Rental charges paid to related companies *(note a)*	**824**	594
Consultancy fees paid to related companies *(note b)*	**460**	180

These transactions were carried out in accordance with the terms of the relevant agreements governing such transactions.

Notes:

(a) A director of the Company, Mr. Ling Tak Yuk, John, has beneficial interests in these related companies.

(b) The spouse and brother of a director have beneficial interests in one of these two related companies. For another related company, one director of the Company has beneficial interest.

For the year ended March 31, 2004, Mr. Ling Tak Yuk, John, a director of the Company, waived rental charges amounting to approximately HK$347,000 payable by the Group for office premises located in the PRC.

24. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ registered capital held by the Company %	Principal activities
Directly held				
High Dragon Limited	British Virgin Islands	US$1	100	Investment holding
Invigo Overseas Limited	British Virgin Islands	US$1	100	Investment holding
Windstar Pacific Limited	British Virgin Islands	US$1	100	Investment holding
Indirectly held				
Koniko Company Limited	Hong Kong	HK$20 Deferred** non-voting shares HK$22,143,000	100	Garment manufacture and trading
北京京馳健康食品研發有限公司	PRC ***	US$1,650,000	100	Development of health food

* All are ordinary shares unless otherwise stated.

** None of the deferred non-voting shares are held by the Group. The deferred non-voting shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

*** It is a wholly foreign owned enterprise established in the PRC.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.