

Notes to the Financial Statements

For the year ended 31 March 2005

1. GENERAL

The Company is incorporated in Bermuda as an exempted company under The Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and provision of related subcontracting services, trading of garment products and provision of quality inspection services.

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 ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

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

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are presented. These new HKFRSs may result in changes in the future as to how the results and financial position are 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 in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

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

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

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

notes to the financial statements

For the year ended 31 March 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 at the date of acquisition.

Goodwill arising on acquisition on or after 1 April 2001 and before 1 January 2005 is capitalised and amortised on a straight line basis over its estimated useful life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisition prior to 1 April 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 at such time as the goodwill is determined to be impaired.

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

Investments in subsidiaries

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

Revenue recognition

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

Service income is recognised when services are provided.

Subcontracting income is recognised when services are provided.

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

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Construction in progress is stated at cost less any accumulated impairment losses. Cost includes all development expenditure and other direct costs, including borrowing costs capitalised in accordance with the Group's accounting policy, attributable to such projects and deposits made for property acquisitions. It is not depreciated until completion of construction. Cost on completed construction works is transferred to the appropriate categories of property, plant and equipment.

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

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

Leasehold land	Over the remaining term of the relevant lease
Buildings	Over the shorter of the term of the lease, or 40 years
Furniture, fixtures and equipment	15% – 25%
Leasehold improvements	10% – 20%
Motor vehicles	20%
Plant and machinery	6 ² / ₃ % – 25%

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

Investment properties

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

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

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

notes to the financial statements

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average 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.

Impairment

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

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

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 value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired are charged to the income statement over the period of relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

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 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 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, 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 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

notes to the financial statements

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 such 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 period.

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

Retirement benefits costs

Payments to the Group's defined contribution retirement benefit scheme, Mandatory Provident Fund scheme and state managed retirement benefit scheme are charged as expenses as they fall due.

4. TURNOVER

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
An analysis of the Group's turnover is as follows:		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	1,701,619	1,091,100
Trading of garment products and provision of quality inspection services	701,765	623,721
	<hr/> 2,403,384	<hr/> 1,714,821

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

The Group is currently engaged in two business activities – (i) production and sale of knitted fabric and dyed yarn and provision of related subcontracting services; and (ii) trading of garment products and provision of quality inspection services. These activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Year ended 31 March 2005

	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	1,701,619	701,765	2,403,384
RESULT			
Segment result	222,038	39,243	261,281
Unallocated corporate income			3,428
Unallocated corporate expenses			(11,391)
Profit from operations			253,318
Finance costs			(17,983)
Profit before taxation			235,335
Taxation			(14,323)
Profit before minority interests			221,012
Minority interests			(17,357)
Net profit for the year			203,655

notes to the financial statements

For the year ended 31 March 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

BALANCE SHEET

At 31 March 2005

	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	2,341,841	191,712	2,533,553
Unallocated corporate assets			48,839
Consolidated total assets			2,582,392
LIABILITIES			
Segment liabilities	278,999	124,866	403,865
Unallocated corporate liabilities			1,048,384
Taxation payable			18,580
Consolidated total liabilities			1,470,829

OTHER INFORMATION

	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	466,542	8,133	474,675
Depreciation and amortisation	63,314	1,316	64,630

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Year ended 31 March 2004

	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	1,091,100	623,721	1,714,821
RESULT			
Segment result	159,176	39,956	199,132
Unallocated corporate income			1,548
Unallocated corporate expenses			(7,640)
Profit from operations			193,040
Finance costs			(9,426)
Profit before taxation			183,614
Taxation			(11,607)
Profit before minority interests			172,007
Minority interests			(18,717)
Net profit for the year			153,290

notes to the financial statements

For the year ended 31 March 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

BALANCE SHEET

At 31 March 2004

	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	1,803,302	151,188	1,954,490
Unallocated corporate assets			14,451
Consolidated total assets			1,968,941
LIABILITIES			
Segment liabilities	250,007	63,456	313,463
Unallocated corporate liabilities			722,212
Taxation payable			12,219
Consolidated total liabilities			1,047,894

OTHER INFORMATION

	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services <i>HK\$'000</i>	Trading of garment products and provision of quality inspection services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	326,800	1,104	327,904
Depreciation and amortisation	45,133	1,597	46,730

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical Segments

The Group's operations are mainly located in Hong Kong, other regions of the People's Republic of China (the "PRC") and United States of America ("USA").

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

	Sales revenue by geographical market	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong	856,144	620,234
Other regions of the PRC	605,183	358,150
USA	531,849	471,314
Others	410,208	265,123
	2,403,384	1,714,821

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

	Carrying amount of segment assets		Additions to property, plant and equipment and investment properties	
	As at 31.3.2005	As at 31.3.2004	As at 31.3.2005	As at 31.3.2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	399,193	530,301	36,080	4,620
Other regions of the PRC	2,058,159	1,339,686	438,595	323,284
USA	71,571	49,523	–	–
Others	53,469	49,431	–	–
	2,582,392	1,968,941	474,675	327,904

notes to the financial statements

For the year ended 31 March 2005

6. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>Note (i)</i>)	12,557	10,032
Other staff costs	113,474	72,389
Total staff costs	126,031	82,421
Auditors' remuneration		
– current year	1,035	968
– underprovision in prior year	48	–
	1,083	968
Depreciation and amortisation of property, plant and equipment	64,630	46,084
Guaranteed distribution paid to a joint venture partner in the PRC (<i>Note (ii)</i>)	3,774	3,489
Loss on disposal of property, plant and equipment	–	974
and after crediting:		
Gross rental income from investment properties and property, plant and equipment	2,167	1,628
Less: Outgoings	(345)	(187)
Net property rental income	1,822	1,441
Gain on disposal of property, plant and equipment	194	–
Interest income	866	868
Surplus arising on revaluation of investment properties	1,186	700

Included in the total staff costs is an aggregate amount of approximately HK\$5,655,000 (2004: HK\$2,647,000) in respect of contributions of retirement benefits schemes by the Group (*Note (iii)*).

The cost of inventories of the Group is close to the cost of sales as disclosed in the consolidated income statement on page 33.

6. PROFIT FROM OPERATIONS *(Continued)*

Notes:

- (i) Information regarding directors' and employees' emoluments

Directors

	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	300	300
	<hr/> 300	<hr/> 300
Other emoluments to executive directors:		
Basic salaries and other benefits	4,879	4,296
Preference share dividend received from a subsidiary	6,369	4,389
Performance related incentive payments	720	758
Retirement benefits scheme contributions	289	289
	<hr/> 12,257	<hr/> 9,732
	<hr/> <hr/> 12,557	<hr/> <hr/> 10,032

Emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Not exceeding HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,500,001 to HK\$3,000,000	–	2
HK\$3,500,001 to HK\$4,000,000	2	–

notes to the financial statements

For the year ended 31 March 2005

6. PROFIT FROM OPERATIONS (Continued)

Notes: (Continued)

- (i) Information regarding directors' and employees' emoluments (Continued)

Employees

The five highest paid individuals of the Group included four (2004: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2004: one) highest paid individual of the Group, not being directors of the Company, are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries and other benefits	1,185	840
Performance related incentive payments	–	221
Retirement benefits scheme contributions	12	79
	1,197	1,140

- (ii) Guaranteed distribution paid to a joint venture partner in the PRC

The amount includes operating lease rentals in respect of rented premises amounting to approximately HK\$885,000 (2004: HK\$770,000).

- (iii) Retirement benefits scheme contributions

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

Both of the defined contributions retirement benefits scheme and MPF are co-existed within the Group in both years.

6. PROFIT FROM OPERATIONS *(Continued)*

Notes: (Continued)

(iii) Retirement benefits scheme contributions *(Continued)*

As at 31 March 2005 and 2004, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on 17% of the salaries of the relevant subsidiaries' employees, are charged to the income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

7. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on:		
– bank borrowings wholly repayable within five years	19,386	11,384
– bank borrowings not wholly repayable within five years	263	140
– finance leases	208	411
Total borrowing costs	19,857	11,935
Less: amounts capitalised	(1,874)	(2,509)
	<u>17,983</u>	<u>9,426</u>

notes to the financial statements

For the year ended 31 March 2005

8. TAXATION

	2005 HK\$'000	2004 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax calculated at 17.5%		
of the estimated assessable profit for the current year		
– current year	5,111	10,844
– underprovision in prior year	228	–
	<hr/> 5,339	<hr/> 10,844
Enterprise income tax in the PRC attributable to subsidiaries	8,877	926
Overseas income tax		
– current year	107	100
– overprovision in prior years	–	(263)
	<hr/> 107	<hr/> (163)
	<hr/> 14,323	<hr/> 11,607

Taxation arising in jurisdictions other than Hong Kong and PRC is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, one (2004: one) of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. No provision for PRC income tax has been made in the financial statements for the subsidiary as the PRC subsidiary was in its second profit-making year.

Pursuant to the relevant laws and regulations in the PRC, another Group's PRC subsidiary's profit is subject to PRC income tax at a rate of 24% (2004: 24%).

8. TAXATION *(Continued)*

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation	235,335	183,614
Tax at the domestic income tax rate of 17.5%	41,184	32,132
Tax effect of expenses that are not deductible for tax purpose	10,375	1,565
Tax effect of income not taxable for tax purpose	(11,457)	(20,495)
Under (overprovision) in respect of prior years	228	(263)
Tax effect of utilisation of tax losses previously not recognised	(147)	(19)
Tax effect of deferred tax assets not recognised	593	726
Effect of tax exemptions granted to PRC subsidiaries	(5,174)	(2,535)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(21,279)	496
Tax expense for the year	14,323	11,607

At the balance sheet date, the Group has unused tax losses of approximately HK\$5,952,000 (2004: HK\$248,000) available for offset against future profits and deductible temporary difference of approximately HK\$27,632,000 (2004: HK\$21,842,000) in respect of accelerated accounting depreciation and provision for bad debts. No deferred tax assets have been recognised in respect of the unused losses and the deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

There was no other significant unprovided deferred taxation for the year or at the balance sheet date.

notes to the financial statements

For the year ended 31 March 2005

9. DISTRIBUTIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim dividend of HK5.5 cents (2004: HK4.5 cents) per ordinary share	30,932	22,674
Proposed final dividend of HK5.5 cents (2004: HK4.5 cents) per ordinary share	31,200	25,120
	<hr/> 62,132 <hr/>	<hr/> 47,794 <hr/>

The amount of the final dividend proposed for the year ended 31 March 2005, which will be in cash form with a scrip dividend option, has been calculated by reference to the 567,271,859 issued ordinary shares outstanding as at the date of these financial statements.

The final dividend of HK5.5 cents (2004: HK4.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the year, scrip dividends were offered in respect of the 2004 interim and final and 2005 interim dividends. These scrip dividends were as follows:

	2005 Interim <i>HK\$'000</i>	2004 Interim <i>HK\$'000</i>	2004 Final <i>HK\$'000</i>
Cash	16,481	8,698	12,537
Share alternative	14,451	13,976	12,583
	<hr/> 30,932 <hr/>	<hr/> 22,674 <hr/>	<hr/> 25,120 <hr/>

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	203,655,000	153,290,000
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	560,612,293	503,641,414
Effect of dilutive potential ordinary shares in respect of share options	7,835,563	13,728,982
Weighted average number of ordinary shares for the purposes of diluted earnings per share	568,447,856	517,370,396

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11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Construction in progress	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST							
At 1 April 2004	234,972	72,135	11,837	8,165	15,205	520,600	862,914
Additions	56,765	231,778	4,409	507	2,854	152,300	448,613
Transfer	166,712	(200,744)	22	-	-	34,010	-
Disposals	-	-	(4)	-	(832)	-	(836)
At 31 March 2005	458,449	103,169	16,264	8,672	17,227	706,910	1,310,691
DEPRECIATION AND AMORTISATION							
At 1 April 2004	30,504	-	7,938	6,258	7,729	172,741	225,170
Provided for the year	12,344	-	1,757	715	2,650	47,164	64,630
Eliminated on disposals	-	-	(4)	-	(642)	-	(646)
At 31 March 2005	42,848	-	9,691	6,973	9,737	219,905	289,154
NET BOOK VALUES							
At 31 March 2005	415,601	103,169	6,573	1,699	7,490	487,005	1,021,537
At 31 March 2004	204,468	72,135	3,899	1,907	7,476	347,859	637,744

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

	Motor vehicles HK\$'000
THE COMPANY	
COST	
At 1 April 2004 and 31 March 2005	492
DEPRECIATION	
At 1 April 2004	41
Provided for the year	98
At 31 March 2005	139
NET BOOK VALUES	
At 31 March 2005	353
At 31 March 2004	451

The Group's property interests other than investment properties comprise:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Properties situated:		
– in Hong Kong	12,289	7,242
– in other regions of the PRC	506,481	269,361
	518,770	276,603

All of the Group's land and buildings are held under medium-term leases.

The net book value of property, plant and equipment held under finance leases at 31 March 2005 amounted to approximately HK\$25,894,000 (2004: HK\$32,350,000).

Included in construction in progress is net interest capitalised of approximately HK\$1,874,000 (2004: HK\$2,509,000) in the current year.

notes to the financial statements

For the year ended 31 March 2005

12. INVESTMENT PROPERTIES

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
VALUATION		
At 1 April	12,350	11,650
Addition	26,062	–
Surplus on revaluation	7,518	700
At 31 March	45,930	12,350

The investment properties of the Group were valued at 31 March 2005 by Chesterton Petty Ltd, an independent firm of professional valuers, on an open market, existing use basis. The surplus arising on revaluation of investment properties amounting to HK\$1,186,000 (2004: HK\$700,000) has been credited directly to the income statement in the current year, as a deficit has previously been charged to the income statement. The balances of HK\$2,657,000 and HK\$3,675,000 have been credited to the revaluation reserve and minority interests respectively.

All of the Group's investment properties are situated in Hong Kong and are held under medium-term leases. They are held for rental purpose under operating leases.

13. GOODWILL

	THE GROUP
	HK\$'000
COST	
At 1 April 2004 and at 31 March 2005	3,228
AMORTISATION	
At 1 April 2004	1,938
Provided for the year	646
At 31 March 2005	2,584
CARRYING AMOUNT	
At 31 March 2005	644
At 31 March 2004	1,290

The amortisation period adopted for goodwill is five years.

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14. INTEREST IN SUBSIDIARIES, AMOUNT DUE FROM SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY

	THE COMPANY	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	85,985	85,985
Amounts due from subsidiaries	606,377	543,919
	<u>692,362</u>	<u>629,904</u>
Amount due to a subsidiary	583	75,010

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be settled within twelve months of the balance sheet date and accordingly the amounts are shown as non-current assets, except an amount due from subsidiaries of approximately HK\$4,990,000 which is repayable on demand and is therefore shown as current asset in the balance sheet.

The amount due to a subsidiary shown in the balance sheet is unsecured, interest free and is repayable on demand.

Details of the Company's principal subsidiaries at 31 March 2005 are set out in note 28.

15. INVENTORIES

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Raw materials	410,385	252,739
Work in progress	158,292	218,221
Finished goods	144,217	101,122
	<u>712,894</u>	<u>572,082</u>

notes to the financial statements

For the year ended 31 March 2005

16. TRADE RECEIVABLES

The Group allows an average credit period of 90 – 120 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 60 days	309,672	279,230
61 – 90 days	60,673	61,597
91 – 120 days	37,035	27,142
Over 120 days	46,690	24,988
	<hr/>	<hr/>
	454,070	392,957

17. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 60 days	319,293	210,662
61 – 90 days	17,257	36,088
Over 90 days	16,097	19,688
	<hr/>	<hr/>
	352,647	266,438

18. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	5,458	5,788	5,265	5,616
In the second to fifth year inclusive	2,634	7,944	2,601	7,850
	8,092	13,732	7,866	13,466
Less: Future finance charges	(226)	(266)	-	-
Present value of lease obligations	7,866	13,466	7,866	13,466
Less: Amount due for settlement within 12 months and shown under current liabilities			(5,265)	(5,616)
Amount due for settlement after 12 months			2,601	7,850

The average lease term of the finance leases is four years. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

notes to the financial statements

For the year ended 31 March 2005

19. BANK BORROWINGS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank loans	823,168	420,472
Import loans and trust receipts	192,543	282,553
Mortgage loans	23,357	4,838
	1,039,068	707,863
Analysed as:		
– secured	42,634	28,727
– unsecured	996,434	679,136
	1,039,068	707,863
The bank borrowings bear interest at prevailing market rates and are repayable as follows:		
Within one year or on demand	351,785	451,498
Between one to two years	191,521	106,693
Between two to five years	484,918	147,548
Over five years	10,844	2,124
	1,039,068	707,863
Less: Amount due within one year included in current liabilities	(351,785)	(451,498)
Amount due after one year	687,283	256,365

An amount of HK\$585 million included in bank loans represented the drawn portion of a syndicated loan facility of HK\$688 million arranged in December 2004 which bears interest at Hong Kong Interbank Offered Rate plus 0.55% per annum with a tenor of 4¹/₂ years.

20. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
At 1 April 2003, 31 March 2004 and 31 March 2005, at HK\$0.01 each	40,000,000,000	400,000
<i>Issued and fully paid:</i>		
At 1 April 2003	473,956,804	4,740
Issue of new shares (<i>Note i</i>)	50,000,000	500
Issue of shares pursuant to scrip dividend scheme for 2003 final and 2004 interim dividend (<i>Note ii</i>)	7,912,664	79
Issue of shares under share option scheme (<i>Note iii</i>)	26,355,200	263
At 31 March 2004	558,224,668	5,582
Issue of shares pursuant to scrip dividend scheme for 2004 final and 2005 interim dividend (<i>Note iv</i>)	9,047,191	91
At 31 March 2005	567,271,859	5,673

Notes:

- (i) Pursuant to a placing agreement dated 25 February 2004, an aggregate of 50,000,000 ordinary shares of HK\$0.01 each in the Company were placed by Pearl Garden Pacific Limited and Madian Star Limited to independent investors at the price of HK\$3.72 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 50,000,000 new shares in the Company at the price of HK\$3.72 per share so as to raise further working capital for the Company and broaden its capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$181 million were used by the Group's for the expansion of the Group's production capacity and its general working capital purposes. Details of the placement and subscription were disclosed in the announcement issued by the Company on 26 February 2004.

notes to the financial statements

For the year ended 31 March 2005

20. SHARE CAPITAL *(Continued)*

Notes: (Continued)

- (ii) On 7 October 2003 and 12 February 2004, the Company issued and allotted a total of 3,553,652 shares and 4,359,012 shares of HK\$0.01 each at an issue price of HK\$3.3963 and HK\$3.2063 each in lieu of cash for the 2003 final and 2004 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 8 September 2003 and 12 January 2004 respectively. These shares ranked pari passu in all respects with the then existing shares.
- (iii) During the year ended 31 March 2004, 26,355,200 share options were exercised at a subscription price of HK\$0.275 per share, resulting in the issue of 26,355,200 ordinary shares of HK\$0.01 each in the Company.
- (iv) On 15 October 2004 and 25 February 2005, the Company issued and allotted a total of 4,171,664 shares and 4,875,527 shares of HK\$0.01 each at an issue price of HK\$3.0163 and HK\$2.9640 each in lieu of cash for the 2004 final and 2005 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 22 September 2004 and 10 January 2005 respectively. These shares rank pari passu in all respects with the then existing shares.

21. SHARE OPTIONS

Pursuant to the special general meeting of the Company held on 30 November 2001, the Board of Directors of the Company terminated the share option scheme which was adopted by the Company pursuant to an ordinary resolution passed at the special general meeting held on 22 April 1996. On the same date, the Board of Directors approved and adopted the new share option scheme (the "Scheme"), details of which are set out as follows.

The Scheme was adopted for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and will expire on 29 November 2011. Under the Scheme, the Board of Directors of the Company may grant options to full-time employees, including executive directors of the Company and its subsidiaries, and any participants from time to time determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

At 31 March 2005, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 134,000,000 (2004: 79,400,000), representing approximately 24% (2004: 14%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being.

21. SHARE OPTIONS (Continued)

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per each grant of option(s). Options may generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The following table discloses movements in the Company's share options during both years:

Category	Date of grant	Exercise price HK\$	Exercisable period	Number of option shares						
				Outstanding at 1.4.2003	Granted during the year	Exercised during the year	Outstanding at 1.4.2004	Granted during the year	Lapsed during the year	Outstanding at 31.3.2005
Directors										
Mr. Li Ming Hung	9 October 2003	3.04	9.10.2004 – 29.11.2011	-	500,000	-	500,000	-	-	500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	-	-	-	-	1,000,000	-	1,000,000
Mr. Chen Tien Tui	9 October 2003	3.04	9.10.2004 – 29.11.2011	-	500,000	-	500,000	-	-	500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	-	-	-	-	1,000,000	-	1,000,000
Mr. So Kam Wah	23 May 2003	2.35	27.5.2003 – 29.11.2011	-	3,300,000	-	3,300,000	-	-	3,300,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	-	1,700,000	-	1,700,000	-	-	1,700,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	-	-	-	-	4,000,000	-	4,000,000
Mr. Lee Yuen Chiu, Andy	23 May 2003	2.35	27.5.2003 – 29.11.2011	-	1,500,000	-	1,500,000	-	-	1,500,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	-	3,500,000	-	3,500,000	-	-	3,500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	-	-	-	-	4,000,000	-	4,000,000
Mr. Choi Lin Hung	23 May 2003	2.35	27.5.2003 – 29.11.2011	-	1,500,000	-	1,500,000	-	-	1,500,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	-	3,500,000	-	3,500,000	-	-	3,500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	-	-	-	-	4,000,000	-	4,000,000
Employees	4 December 2001	0.275	4.12.2001 – 3.12.2010	26,355,200	-	(26,355,200)	-	-	-	-
	23 May 2003	2.35	27.5.2003 – 29.11.2011	-	23,100,000	-	23,100,000	-	-	23,100,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	-	40,300,000	-	40,300,000	-	(200,000)	40,100,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	-	-	-	-	41,000,000	(200,000)	40,800,000
				26,355,200	79,400,000	(26,355,200)	79,400,000	55,000,000	(400,000)	134,000,000

notes to the financial statements

For the year ended 31 March 2005

21. SHARE OPTIONS *(Continued)*

Total consideration received during the year ended 31 March 2005 from directors and employees for taking up the options granted amounted to HK\$47 (2004: HK\$50).

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

For the year ended 31 March 2004, the closing price of the 26,355,200 share options exercised immediately before the date of exercise of the options was HK\$2.325.

22. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1 April 2003	231,789	154,214	20,012	7,192	413,207
Premium arising on issue of shares	185,500	–	–	–	185,500
Expenses incurred in connection with the issue of shares	(4,858)	–	–	–	(4,858)
Issue of shares under scrip dividend scheme of for 2003 final and 2004 interim dividend	25,966	–	(26,045)	–	(79)
Issue of shares under share option scheme	6,984	–	–	–	6,984
Interim dividend proposed (<i>note 9</i>)	–	–	22,674	(22,674)	–
Final dividend proposed (<i>note 9</i>)	–	–	25,120	(25,120)	–
Dividend declared	–	–	(16,641)	–	(16,641)
Net profit for the year	–	–	–	50,321	50,321
At 31 March 2004	445,381	154,214	25,120	9,719	634,434
Issue of shares under scrip dividend scheme of for 2004 final and 2005 interim dividend	26,943	–	(27,034)	–	(91)
Interim dividend proposed (<i>note 9</i>)	–	–	30,932	(30,932)	–
Final dividend proposed (<i>note 9</i>)	–	–	31,200	(31,200)	–
Dividend declared	–	–	(29,018)	–	(29,018)
Net profit for the year	–	–	–	80,444	80,444
At 31 March 2005	472,324	154,214	31,200	28,031	685,769

The contributed surplus of the Company represents the difference between the book values of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation which became effective on 22 April 1996, net of HK\$100,000 subsequently applied in paying up in full at par the 1,000,000 nil paid shares, together with a credit of approximately HK\$68,429,000 arising from the capital reduction in January 2001.

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For the year ended 31 March 2005

22. RESERVES *(Continued)*

In addition to accumulated profits, under the company laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 31 March 2005 are represented by its accumulated profits, dividend reserve and contributed surplus, totalling approximately HK\$213,445,000 (2004: HK\$189,053,000).

23. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2004, the Company issued and allotted a total of 3,553,652 shares and 4,359,012 shares of HK\$0.01 each at an issue price of HK\$3.3963 and HK\$3.2063 each in lieu of cash for the 2003 final and 2004 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 8 September 2003 and 12 January 2004 respectively, as set out in note 20(ii).

On 15 October 2004 and 25 February 2005, the Company issued and allotted a total of 4,171,664 shares and 4,875,527 shares of HK\$0.01 each at an issue price of HK\$3.0163 and HK\$2.9640 each in lieu of cash for the 2004 final and 2005 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 22 September 2004 and 10 January 2005 respectively as set out in note 20(iv).

24. PLEDGE OF ASSETS

At 31 March 2005, investment properties and certain property, plant and equipment of subsidiaries of the Company with aggregate net book value of approximately HK\$44,500,000 (2004: HK\$11,000,000) and approximately HK\$12,730,000 (2004: HK\$22,663,000) respectively, were pledged to banks as security for the credit facilities granted to the Group.

25. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	56,089	457	–	–
Factoring financing facilities utilised with recourse	133,584	31,591	–	–
Corporate guarantee given to a financial institution to secure factoring financing facilities granted to a subsidiary	–	–	15,500	15,500
Corporate guarantees given to banks and other financial institutions to secure credit facilities granted to subsidiaries	–	–	2,259,200	1,231,973
	189,673	32,048	2,274,700	1,247,473

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For the year ended 31 March 2005

26. COMMITMENTS

(i) Payments to a PRC joint venture partner

At 31 March 2005, the Group was committed to pay an annual guaranteed distribution to a PRC joint venture partner in the coming year amounting to approximately HK\$3,781,000 (2004: HK\$3,666,000), which included an amount of approximately HK\$885,000 (2004: HK\$770,000) in respect of operating lease commitments for rented premises.

(ii) Capital commitments

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the financial statements	120,683	124,389

The Company had no significant capital commitment at the balance sheet date.

26. COMMITMENTS *(Continued)*

(iii) Operating lease arrangements

The Group as lessee

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Minimum lease payments paid under operating leases in respect of premises during the year	1,663	2,094

At the balance sheet date, the Group had commitments for future minimum lease payments, excluding the amount as set out in (i) above, under non-cancellable operating leases in respect of rented premises and warehouses which fall due as follows:

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	967	958
In the second to fifth year inclusive	1,167	1,474
Over five years	79	193
	2,213	2,625

Operating lease payment represents rental payable by the Group for its office premises and warehouse. Leases are negotiated for terms ranging from one to seven years and rental is fixed throughout the lease period.

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

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For the year ended 31 March 2005

26. COMMITMENTS *(Continued)*

(iii) Operating lease arrangements *(Continued)*

The Group as lessor

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	2,352	587
In the second to fifth year inclusive	417	106
	<hr/> <hr/> 2,769	<hr/> <hr/> 693

Property rental income earned during the year under the leases was approximately HK\$2,167,000 (2004: HK\$1,628,000). The Group's investment properties are expected to generate rental yields of 5% (2004: 5%) on an ongoing basis. All of the investment properties held have committed tenants for the next two years.

27. RELATED PARTY TRANSACTIONS

During the year, the Group paid operating lease rentals amounting to approximately HK\$108,000 (2004: HK\$108,000) to Verdure Enterprises Limited (notes (i) & (ii)).

During the year ended 31 March 2004, Pearl Garden Pacific Limited (note iii) and Madian Star Limited (note iv) together subscribed for an aggregate of 50,000,000 new shares in the Company at the price of HK\$3.72 per share, details of which are disclosed in note 20 (i).

Notes:

- (i) The entire issued share capital of Verdure Enterprises Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (ii) The monthly rental was determined based on market rental.
- (iii) The entire issued share capital of Pearl Garden Pacific Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (iv) The entire issued share capital of Madian Star Limited is owned by a discretionary trust, the object of which include Mr. Chen Tien Tui and his family.

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion		Principal activities
			of nominal value issued/ registered capital held by the Company/ subsidiaries %	Effective proportion of issued/ registered capital held by the Group %	
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	100	100	Trading of knitted fabric
CSG Apparel Inc.	Canada	Common stock CAD1	100	51	Trading of garment products
CSG Fashion Inc.	United States of America	Common stock US\$10	100	51	Trading of garment products
Champion Fortune Asia Limited	Hong Kong	Ordinary HK\$2	100	100	Trading of dyed yarn
Ford Glory Holdings Limited	British Virgin Islands	Ordinary US\$100	51	51	Investment holding
Ford Glory International Limited	Hong Kong	Ordinary HK\$5,000,000	100	51	Trading of garment products
Glory Time Limited	Hong Kong	Ordinary HK\$100	70	35.70	Trading of garment products

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28. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion		Principal activities
			of nominal value issued/ registered capital held by the Company/ subsidiaries %	Effective proportion of issued/ registered capital held by the Group %	
Grace Link Enterprises Limited	Hong Kong	Ordinary HK\$10	100	100	Provision of management services
Silver Success Limited	Hong Kong	Ordinary HK\$100	90	32.13	Trading of garment products
Tectfield Industrial Limited	Hong Kong	Ordinary HK\$10,000 Deferred (Note(i)) HK\$10,000	77.78	77.78	Manufacture of and trading in labels and hang-tags
Top Star Limited	Hong Kong	Ordinary HK\$2	100	51	Property holding
V-Apparel International Limited	Hong Kong	Ordinary HK\$100	100	100	Manufacture of garment products
Value Plus (Macao Commercial Offshore) Limited	Macao	MOP100,000	100	51	Provision of quality inspection service
Victory City Company Limited	Hong Kong	Ordinary HK\$10 Deferred (Note (i)) HK\$8,000,000	100	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US\$6	100	100	Investment holding

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion	Effective	Principal activities
			of nominal value issued/ registered capital held by the Company/ subsidiaries	proportion of issued/ registered capital held by the Group	
			%	%	
Victory City Investments Limited	British Virgin Islands	Ordinary US\$1	100	100	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US\$2 Preference <i>(Note (ii))</i> US\$3,300	100	100	Investment holding and provision of subcontracting services
江門市新會區冠華針織廠有限公司 ("Xinhui Victory City") <i>(Note (iii))</i>	PRC	US\$16,819,300	100	100	Knitting, dyeing and finishing of fabric
江門市新會區揚名針織廠有限公司	PRC	<i>(Note (iv))</i>	90	90	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 <i>(Note (v))</i>	PRC	US\$2,837,027	100	100	Dyeing of yarn and provision of subcontracting services

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For the year ended 31 March 2005

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

- (i) The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of respective subsidiaries or to participate in any distribution on a winding-up.
- (ii) The redeemable non-voting preference shares of VCOL, which are held by Messrs. Li Ming Hung, Chen Tien Tui and Choi Lin Hung, carry minimal right to receive notice of or to attend or vote at any general meeting of VCOL. The holders of the redeemable non-voting preference shares shall only be entitled to a fixed dividend per annum when the profit before tax of VCOL available for dividend exceeds a pre-determined figure. On a winding-up, the holders of the redeemable non-voting preference shares shall be entitled to receive a return of the capital paid up on the redeemable non-voting preference shares held by them respectively.
- (iii) Pursuant to the co-operative joint venture contract and various supplemental agreements, other than an annual guaranteed distribution payable to the joint venture partner in the PRC, the Group is to bear the entire risk and liabilities and share the entire profit and loss of Xinhui Victory City during the term of the co-operative joint venture commencing from 6 May 1988 (date of establishment of Xinhui Victory City) to 31 August 2007. Upon dissolution of Xinhui Victory City, the PRC joint venture partner will re-possess the assets it had contributed or the residual value of the assets, which should be determined by both parties. The Group has accordingly treated the annual guaranteed distribution payable to the PRC joint venture partner as an operating expense for the use of plant and machinery and factory premises contributed and other facilities provided by the PRC joint venture partner, and Xinhui Victory City is treated by the Group as a wholly-owned subsidiary for accounting purposes. All assets contributed by the PRC joint venture partner have been treated as assets under operating leases and are therefore not included as assets of the Group.
- (iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門市新會區揚名針織廠有限公司 was approximately US\$1,709,000 as at 31 March 2005, which was wholly contributed by the Group. Additional capital contribution by the Group during the year ended 31 March 1999, which amounted to approximately US\$394,000, has not yet been verified as at 31 March 2005.
- (v) The Company is wholly foreign owned enterprise incorporated in the PRC with limited liability.

None of the subsidiaries had any debt securities subsisting at 31 March 2005 or at any time during the year.

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