1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) *Basis of preparation*

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of leasehold land and buildings and investment properties, as further explained below.

(b) *Impact of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards*

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("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. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES

(a) 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 the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of interest in a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement and any related exchange fluctuation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of the subsidiaries.

(b) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the activities of the joint venture company, the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(ii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, with other joint venture parties over the joint venture company;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control by the Group and other joint venture parties, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

(e) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(f) Foreign currencies

Foreign currency transactions are recorded at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at exchange rates ruling at the balance sheet date. Exchange differences are dealt with in the income statement.

On consolidation, the income statements of overseas subsidiaries and jointly-controlled entities are translated at the weighted average rates for the year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) *Intangible assets*

(i) *Technical know-how*

Technical know-how acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The cost of technical know-how acquired is amortised on a straight-line basis over its estimated useful life of 5 years.

(ii) *Goodwill*

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 to 10 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

(iii) Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of jointly-controlled entities, any negative goodwill not yet recognised in the consolidated income statement is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill arising from acquisitions prior to 1 January 2001 to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 January 2001 is treated according to the accounting policy above.

On disposal of subsidiaries or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated income statement and any relevant reserves, as appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the properties revaluation reserve realised in respect of previous valuations is released to the income statement.

(i) *Fixed assets*

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On the disposal or retirement of a revalued asset, the attributable revaluation surplus realised is transferred directly to retained profits as a movement in reserves.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) Fixed assets (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purposes are as follows:

Medium term leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 5 years
Machinery and equipment	3 to 4 years
Furniture and fixtures	5 years
Motor vehicles	4 years

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

(j) Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises the assets is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the year in which it arises the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

(i) Finance leases

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

(l) Investment securities

Investment securities, which are securities held for an identified long-term strategic purpose, are stated at cost less impairment losses, if any. The carrying amounts of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement. The reduction is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Investment securities, which are either held-for-trading or available-for-sale, are measured at fair value at the balance sheet date. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale securities, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposed.

(n) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Sales of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Licensing income

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

(iii) Processing income

Processing income is recognised upon the delivery of processed goods.

(iv) Rental income

Rental income is recognised on a time proportion basis in accordance with the terms and conditions of the tenancy agreement.

(v) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

(vi) Management fee income

Management fee income is recognised when the services are rendered.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the People's Republic of China government, the subsidiaries of the Group operating in the People's Republic of China participate in municipal government retirement benefits scheme (the "PRC Scheme") whereby the subsidiaries are required to contribute a certain sum of money as calculated under the relevant rules specified by the relevant municipal government authorities to the PRC Scheme to fund the employees' retirement benefits. The Group is required to pay the ongoing contributions under the PRC Scheme, which are charged to the income statement as incurred.

(ii) Share option scheme

The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time when the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, equity is increased by the amount of the proceeds received. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) Deferred taxation

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and jointly-controlled entries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation 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 taxation is also dealt with in equity.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, results, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Unallocated items mainly comprise corporate assets, interest-bearing loans and borrowings, corporate expenses and minority interests.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**824,811**	673,030
Processing income	**28,646**	17,863
Licensing income	**60,387**	48,784
	913,844	739,677
Other revenue		
Gross rental income	**931**	1,096
Interest income	**2,187**	2,453
Management fee income received from jointly controlled entities	**423**	548
Gain on sales of investment securities	**2,039**	–
Service income	**3,646**	–
Others	**414**	170
	9,640	4,267
Total revenue	**923,484**	743,944

(a) Segment information

In determining the Group's geographical segments, revenues, results, assets and liabilities based on the location of assets.

The Group's geographical segments comprise Hong Kong and the People's Republic of China (excluding Hong Kong) (the "PRC").

The Group's business segments comprise manufacturing and sale of fashion garments business and Texnology Nano group business. The Texnology Nano group business refers to business utilising the Swedish Texcote Technology which is a material processing technology based on the principles of nanotechnology.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following tables present revenue, results, assets, liabilities and other segment information for the Group's geographical segments.

	Hong Kong		PRC		Elimination		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**99,313**	103,845	**814,531**	635,832	**–**	–	**913,844**	739,677
Intersegment sales	**–**	–	**45,554**	69,924	**(45,554)**	(69,924)	**–**	–
Total revenue	**99,313**	103,845	**860,085**	705,756	**(45,554)**	(69,924)	**913,844**	739,677
Segment results	**11,478**	11,193	**189,555**	160,144	**–**	–	**201,033**	171,337
Unallocated expenses							**(61,565)**	(17,598)
Profit from operating activities							**139,468**	153,739
Finance costs							**(13,877)**	(10,471)
Share of profits of jointly – controlled entities							**1,020**	1,348
Amortisation of goodwill arising on acquisition of jointly-controlled entities							**(7,500)**	(7,500)
Profit before taxation							**119,111**	137,116
Taxation							**(11,847)**	(10,832)
Profit before minority interests							**107,264**	126,284
Minority interests							**(11,279)**	(12,412)
Net profit attributable to shareholders							**95,985**	113,872

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments (continued)

	Hong Kong		PRC		Elimination		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**216,357**	121,395	**835,414**	631,718	**–**	–	**1,051,771**	753,113
Interests in jointly-controlled entities							**55,528**	62,146
Unallocated assets							**115,791**	104,226
Total assets							**1,223,090**	919,485
Segment liabilities	**9,791**	8,506	**74,922**	42,433	**–**	–	**84,713**	50,939
Unallocated liabilities							**410,202**	295,846
Minority interests							**7,355**	10,536
Total liabilities							**502,270**	357,321
Other segment information:								
Capital expenditure	**49,331**	1,999	**120,048**	27,102	**–**	–	**169,379**	29,101
Depreciation	**7,702**	9,744	**12,915**	12,276	**–**	–	**20,617**	22,020
Deficits on revaluation of leasehold land and buildings	**–**	3,090	**4,880**	–	**–**	–	**4,880**	3,090
Deficits on revaluation of investment properties	**–**	160	**–**	–	**–**	–	**–**	160
Loss on disposals of fixed assets	**2,028**	925	**–**	–	**–**	–	**2,028**	925

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) *Business segments*

The following table presents revenue, assets and capital expenditure information for the Group's business segments.

	Manufacturing and sales of fashion garments		Texnology Nano group business		Elimination		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**600,844**	590,847	**313,000**	148,830	**–**	–	**913,844**	739,677
Intersegment sales	**10,605**	–	**9,424**	18,483	**(20,029)**	(18,483)	**–**	–
Total revenue	**611,449**	590,847	**322,424**	167,313	**(20,029)**	(18,483)	**913,844**	739,677
Segment assets	**802,089**	598,696	**249,682**	154,417	**–**	–	**1,051,771**	753,113
Interests in jointly-controlled entities							**55,528**	62,146
Unallocated assets							**115,791**	104,226
Total assets							**1,223,090**	919,485
Capital expenditure	**48,978**	3,137	**120,401**	25,964			**169,379**	29,101

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2005	2004
	HK$'000	*HK$'000*
Charging		
Auditors' remuneration		
Current year	**750**	700
Under-provision in prior year	**–**	111
	750	811
Cost of inventories sold	**614,493**	494,922
Deficits on revaluation of leasehold land and buildings	**–**	3,090
Deficits on revaluation of investment properties	**–**	160
Loss on disposal of an investment property	**–**	500
Loss on disposals of fixed assets	**2,028**	925
Depreciation		
Owned fixed assets	**18,637**	17,001
Leased fixed assets	**1,980**	5,019
	20,617	22,020
Impairment loss on interest in a jointly-controlled entity	**–**	17,760
Staff costs (excluding directors' remuneration – note 5)		
Wages and salaries	**38,392**	36,600
Retirement benefits scheme contributions	**1,162**	1,319
	39,554	37,919
Minimum lease payments under operating leases in respect of land and buildings	**23,827**	26,113
Crediting		
Gains on sales of investment securities	**(2,039)**	(17,930)

5. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2005	2004
	HK$'000	*HK$'000*
Fees for independent non-executive directors	**270**	284
Salaries, allowances and benefits in kind for executive directors	**2,809**	3,703
Retirement benefits scheme contributions for executive directors	**36**	48
	3,115	4,035

During the year, no remuneration was paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The number of the directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
HK$ Nil – HK$1,000,000	**5**	5
HK$1,000,001 – HK$1,500,000	**2**	2
	7	7

During the year, no share options were granted to the directors in respect of their services to the Group, details of which are set out in note 25.

The deemed benefits arising from the exercise of shares options during the year have not been included in the above directors' remuneration disclosures.

5. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals' remuneration

The five highest paid individuals during the year included two (2004: three) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2004: two) highest paid individuals are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,847**	1,946
Retirement benefits scheme contributions	**32**	24
	2,879	1,970

During the year, no remuneration was paid by the Group to any of the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The number of five highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2005	2004
HK$ Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**1**	1
	3	2

5. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) *Five highest paid individuals' remuneration (continued)*

During the year, no share option was granted to these three highest paid individuals in respect of their services to the Group (2004: Nil).

The deemed benefits arising form the exercise of share options during the year have not been included in the above highest paid individuals' remuneration disclosures.

6. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	**13,441**	9,840
Finance leases	**436**	631
	13,877	10,471

7. TAXATION

	2005	2004
	HK$'000	*HK$'000*
Taxation:		
Hong Kong	**630**	1,500
Elsewhere	**2,114**	9,492
Over provision in previous year	**(1,035)**	(160)
	1,709	10,832
Deferred taxation *(note 22)*	**10,000**	–
Share of taxation attributable to jointly controlled entities	**138**	–
	11,847	10,832

7. TAXATION (CONTINUED)

(a) Hong Kong profits tax is provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(b) In accordance with the applicable corporate income tax law of the PRC, Shunde U-Right Garment Co., Limited ("Shunde U-Right"), a subsidiary of the Group operating in the PRC, was exempted from enterprise income tax for the first two profitable calendar years of operation from 1 January 1999 to 31 December 2000, and is entitled to a 50% relief on the enterprise income tax for the following three years from 1 January 2001 to 31 December 2003. Accordingly, Shunde U-Right is subject to a reduced tax rate of 12% for the years from 1 January 2001 to 31 December 2003. Upon expiry of the tax relief period, the standard PRC enterprise income tax rate applicable to Shunde U-Right will be 24%.

(c) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation	**119,111**	137,116
Tax at the applicable tax rate of 17.5% (2004:17.5%)	**20,844**	23,995
Tax effect of income that is not taxable	**(19,312)**	(28,884)
Tax effect of expenses that are not deductible	**5,477**	14,476
Temporary timing differences not recognised	**(279)**	(76)
Tax effect of utilisation of tax losses not previously recognized	**(711)**	(450)
Tax effect of unused tax losses not recognised	**6,461**	4,062
Over provision of taxation charges	**(1,035)**	71
Effect of different tax rates of subsidiaries operating in other jurisdictions	**402**	(2,362)
Taxation charges	**11,847**	10,832

8. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in net profit attributable to shareholders for the year ended 31 March 2005 is HK$31,483,000 (2004: HK$32,388,000) dealt with in the financial statements of the Company.

9. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim dividend paid		
HK0.5 cent (2004: HK1 cent) per ordinary share	**13,352**	14,512
Proposed final dividend		
HK0.8 cent (2004: HK1.5 cents) per ordinary share	**21,437**	22,152
	34,789	36,664

The interim dividend balance included an additional amount of HK$4,473,000 final dividend for the year ended 31 March 2004 as a result of the exercise of share options and warrants prior to the approval of the final dividend for the year ended 31 March 2004 at the annual general meeting held on 28 September 2004.

The final dividend for the year was proposed by the directors on 22 July 2005. The proposed final dividend is not recognised as a liability at 31 March 2005 as it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on:

	2005	2004
	HK$'000	*HK$'000*
Earnings:		
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculation	**95,985**	113,872

	2005	2004
Number of shares:		
Weighted average number of ordinary shares used in basic earnings per share calculation	**1,639,717,123**	1,300,075,061
Effect of dilutive potential ordinary shares in respect of warrants	**4,119,772**	N/A
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,643,836,895**	N/A

11. FIXED ASSETS

	Group					
	Medium term leasehold land and buildings	Construction in progress	Leasehold improvements	Machinery and equipment	Furniture, fixtures and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 April 2004	56,744	21,262	27,895	54,597	19,510	180,008
Additions	46,781	11,193	17,171	94,022	212	169,379
Revaluation deficits	(5,806)	–	–	–	–	(5,806)
Disposals	(570)	–	(4,440)	–	(3)	(5,013)
At 31 March 2005	97,149	32,455	40,626	148,619	19,719	338,568
Accumulated depreciation						
At 1 April 2004	1,086	–	18,357	23,853	14,439	57,735
Charge for the year	2,027	–	7,191	8,885	2,514	20,617
Reversal upon revaluation	(926)	–	–	–	–	(926)
Disposals	(23)	–	(2,479)	–	(3)	(2,505)
At 31 March 2005	2,164	–	23,069	32,738	16,950	74,921
Net book value						
At 31 March 2005	94,985	32,455	17,557	115,881	2,769	263,647
At 31 March 2004	55,658	21,262	9,538	30,744	5,071	122,273

The analysis of the cost or valuation at 31 March 2005 of the above assets is as follows:

At cost	2,982	32,455	40,626	148,619	19,719	244,401
At valuation	94,167	–	–	–	–	94,167
	97,149	32,455	40,626	148,619	19,719	338,568

11. FIXED ASSETS (CONTINUED)

An analysis of the cost/valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2005	2004
	HK$'000	*HK$'000*
Held under medium term lease in Hong Kong *(note a)*	**53,491**	11,160
Held under medium term lease in the PRC *(note b)*	**39,778**	45,584
Held under medium term lease in Macau *(note c)*	**3,880**	–
	97,149	56,744

Note:

(a) The Group's medium term leasehold land and buildings situated in Hong Kong were revalued as at 31 March 2005 by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited ("Dynasty"), an independent firm of professional valuers, at HK$53,491,000 on an open markets, existing use basis.

(b) The Group's medium term leasehold land and buildings situated in the PRC were revalued as at 31 March 2005 by Dynasty at HK$39,778,000 on a depreciated replacement cost basis. Revaluation deficit of HK$4,880,000 for the year has been charged to properties revaluation reserve.

(c) The Group's medium term leasehold land and buildings situated in Macau were revalued as at 31 March 2005 by Dynasty at HK$3,880,000 on an open markets, existing use basis.

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, their carrying amounts as at 31 March 2005 would have been HK$87,597,000 (2004: HK$38,656,000).

At 31 March 2005, the Group's leasehold land and buildings situated in the PRC and Hong Kong, with an aggregate carrying value of HK$35,889,587 and HK$42,109,327 respectively, were pledged to secure certain banking facilities granted to the Group (note 20(a) (ii)).

11. FIXED ASSETS (CONTINUED)

The net book value of the machinery and equipment of the Group held under finance leases at 31 March 2005 amounted to HK$58,571,000 (2004: HK$7,638,000). The net book value of furniture, fixtures and motor vehicles at 31 March 2005 amounted to HK$394,000 (2004: HK$2,104,000).

	Company
	Equipment
	HK$'000
Cost	
At 1 April 2004 and 31 March 2005	922
Accumulated depreciation	
At 1 April 2004 and 31 March 2005	922
Net book value	
At 31 March 2005	–
At 31 March 2004	–

12. INVESTMENT PROPERTIES

	Group
	HK'000
Valuation	
At 1 April 2004 and 31 March 2005	9,430

The Group's investment properties are situated in Hong Kong and held under medium term leases.

At 31 March 2005, the investment properties were revalued by Dynasty on an open market, existing use basis at HK$9,430,000.

13. INTANGIBLE ASSETS

	Group		
	Technical know-how	**Goodwill**	**Total**
	HK'000	*HK'000*	*HK'000*
Cost			
At 1 April 2004	12,617	118,392	131,009
Additions *(note a)*	–	27,000	27,000
At 31 March 2005	12,617	145,392	158,009
Accumulated amortisation			
At 1 April 2004	631	14,166	14,797
Amortisation for the year	2,523	15,526	18,049
At 31 March 2005	3,154	29,692	32,846
Net book value			
At 31 March 2005	9,463	115,700	125,163
At 31 March 2004	11,986	104,226	116,212

Note:

(a) The amounts of the goodwill capitalised as an asset during the year are arising from the acquisition of additional interests in subsidiaries.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted investments, at cost *(note a)*	**81,310**	81,310

Note:

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

	Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
	Directly held:				
(i)	Lucky Formosa International Group Limited	British Virgin Islands	US$10,000	100%	Investment holding
	Indirectly held:				
(ii)	Hing Yun Industries Co. Limited	Hong Kong	HK$100	95%	Trading of fashion garments
(iii)	Radix Development Company Limited	Hong Kong	HK$1,000	100%	Property holding
(iv)	Shunde U-Right Garment Co., Ltd. 佛山市順德佑威服裝有限公司 （formerly known as 順德市佑威服裝有限公司）	The PRC	US$2,000,000	100%	Manufacturing and sale of fashion garments
(v)	Sky Fox Investment Limited	Hong Kong	HK$10,000,000	100%	Property holding
(vi)	U-Right Garments Limited	Hong Kong	HK$10,000,000	100%	Retailing of fashion garments
(vii)	U-Right (HK) Limited	Hong Kong	HK$1,000,000	100%	Provision of management services

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held:				
(viii) U-Right International Limited	Hong Kong	HK$20	100%	Provision of management services
(ix) U-Right Macau Commercial Offshore Limited	Macau	MOP25,000	100%	Manufacturing and sale of fashion garments
(x) Lakeyre Holdings Ltd	British Virgin Islands	US$100	100%	Retailing of fashion garments
(xi) New Asia Associates Limited	British Virgin Islands	US$1	90%	Investment holding
(xii) New Asia Associates (HK) Limited (newly incorporate)	Hong Kong	HK$1	90%	Property holding
(xiii) Texnology Nano (BVI) Limited	British Virgin Islands	US$100	83%	Investment holding
(xiv) Texnology Nano International Limited	British Virgin Islands	US$1,000	84%	Sub-licensing of proprietary rights over Swedish Texcote Technology and trading of related raw material
(xv) Texnology Nano Textile (China) Limited	Hong Kong	HK$1,000	84%	Investment holding and processing of textile products
(xvi) U-Right Nano Textile (Shunde) Limited 佛山市佑威納米紡織有限公司 （formerly known as 佑威納米紡織（順德）有限公司）	The PRC	US$2,500,000	84%	Processing of textile products

(b) The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for as disclosed in note 28(c).

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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.

The principal places of operations of the subsidiaries are the same as their places of incorporation/registration, except for Texnology Nano Textile (China) Limited which operates in the PRC.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**19,262**	18,380
Impairment losses	**(19,681)**	(19,681)
Goodwill on acquisition *(note a)*	**55,947**	63,447
	55,528	62,146

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Note:

(a) Movement of goodwill on acquisition

	Goodwill
	HK$'000
At 1 April 2004	**63,447**
Amortisation for the year	**(7,500)**
At 31 March 2005	**55,947**

(b) The amounts due from/to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(c) Particulars of the Group's principal jointly-controlled entities at 31 March 2005 are as follows:

	Company	**Place of incorporation/ registration and operation**	**Percentage of equity interest attributable to the Group**	**Principal activities**
(i)	Texcote International Limited	British Virgin Islands	46%	Licensing of proprietary rights over a Sweden Texcote Technology
(ii)	Texcote Technology (International) Limited	Hong Kong	46%	Investment holding
(iii)	Hong Kong Green Nature Environmental Engineering Limited	Hong Kong	30%	Environmental protection projects

16. INVESTMENT SECURITIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Unlisted investments, at cost	**32,953**	47,333	**–**	–
Current				
Unlisted investment fund, at market value	**–**	980	**–**	–
Trading securities, at market value	**–**	1,533	**–**	1,533
	–	2,513	**–**	1,533

17. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**81,988**	69,607
Finished goods	**26,878**	21,104
	108,866	90,711

No inventories of the Group were carried at net realisable value (2004: HK$ Nil).

18. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on invoice dates, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 30 days	**40,030**	18,876
Between 31 days to 60 days	**31,954**	10,203
Between 61 days to 180 days	**11,866**	28,174
Over 180 days	**61**	–
	83,911	57,253
Provision against doubtful debts	**(1,749)**	(1,749)
	82,162	55,504

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less provision against doubtful debts when collection of the full amount is no longer probable. Bad debts are written off as incurred.

19. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice dates, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 30 days	**8,784**	15,613
Between 31 days to 60 days	**9,050**	7,461
Between 61 days to 180 days	**12,990**	3,278
Over 180 days	**1,226**	295
	32,050	26,647

20. INTEREST-BEARING BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans *(notes (a)(i) and (ii))*	**40,200**	15,831	**7,800**	7,756
Trust receipt loans *(note (a)(i))*	**117,955**	51,460	**6,700**	–
Term and syndicated loans *(note(a)(iii))*	**232,500**	210,000	**232,500**	210,000
	390,655	277,291	**247,000**	217,756
Bank loans repayable:				
Within one year	**14,855**	15,831	**7,800**	7,756
In the second year	**2,055**	–	**–**	–
In the third to fifth years, inclusive	**6,165**	–	**–**	–
Over five years	**17,125**	–	**–**	–
	40,200	15,831	**7,800**	7,756
Trust receipt loans repayable:				
Within one year	**117,955**	51,460	**6,700**	–
Term and syndicated loans repayable:				
Within one year	**77,500**	17,690	**77,500**	17,690
In the second year	**155,000**	67,310	**155,000**	67,310
In the third to fifth years, inclusive	**–**	125,000	**–**	125,000
	232,500	210,000	**232,500**	210,000
	390,655	277,291	**247,000**	217,756
Portion classified as current liabilities	**(210,310)**	(84,981)	**(92,000)**	(25,446)
Non-current portion	**180,345**	192,310	**155,000**	192,310

20. INTEREST-BEARING BORROWINGS (CONTINUED)

(a) General banking facilities

At 31 March 2005 the Group had total general banking facilities of approximately HK$752 million (2004: HK$442 million) which comprised the following:

(i) Banking facilities of approximately HK$423 million (2004: HK$141 million) which were secured by unlimited corporate guarantees executed by the Company. At 31 March 2005, bank loans of approximately HK$5 million (2004: HK$15 million) and trust receipt loans of approximately HK$111 million (2004: HK$51 million) were drawn under these facilities.

(ii) Banking facilities of approximately HK$43 million (2004: HK$15 million) which were secured by the Group's leasehold land and buildings situated in the PRC and Hong Kong with an aggregate carrying value of approximately HK$36 million and HK$42 million respectively (note 11). At 31 March 2005, HK$27 million were respectively utilised under these facilities (2004: HK$ Nil).

(iii) Unsecured banking facilities of approximately HK$286 million (2004: HK$270 million) were given by several banks to the Company, which included a term loan facility of HK$50 million and a syndicated loan facility of HK$200 million, both entered into in year 2004. These facilities were partly used for the repayment of the syndicated loan arranged in 2002 and other general banking facilities. Both the term and syndicated loans bear interest at Hong Kong interbank Offered Rate plus 1.15% per annum. The syndicated loan will be repayable by 8 equal successive quarterly instalments of HK$15 million commencing on 16 January 2005 and a final instalment of HK$80 million on 16 January 2007.

According to these loan agreements, the Company is required to comply with certain financial convenants throughout term life of the facilities and in addition, the controlling shareholders (Leung Ngok, Leung Shing, ACE Target and any discretionary trust) are required to own in aggregate, either directly or indirectly, at least 35% of the total issued share capital of the Company during the term life of these facilities.

21. FINANCE LEASE PAYABLES

At 31 March 2005, the total future minimum lease payments under finance leases and their present values are as follows:

	Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**11,616**	5,612	**10,965**	5,305
In the second year	**10,419**	3,270	**9,907**	3,018
In the third to fifth years, inclusive	**9,825**	3,042	**9,485**	3,046
Total minimum finance lease payments	**31,860**	11,924	**30,357**	11,369
Future finance charges	**(1,503)**	(555)		
Total net finance lease payables	**30,357**	11,369		
Portion classified as current liabilities	**(10,965)**	(5,305)		
Non-current portion	**19,392**	6,064		

The Group's finance lease payables of approximately HK$10,954,000 (2004: HK$10,223,000) were secured by corporate guarantees executed by the Company (note 29).

22. DEFERRED TAXATION

	Group		
	Depreciation	**Tax loss**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities			
At 1 April 2004	–	–	–
Additions	16,110	(6,110)	10,000
At 31 March 2005	16,110	(6,110)	10,000

At 31 March 2005, the Group has unused tax losses of approximately HK$30,000,00 (2004: HK$33,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future taxable profit streams. All losses may be carried forward indefinitely.

23. MINORITY INTERESTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets by minority shareholders	**7,355**	10,536

24. SHARE CAPITAL

		Company			
		2005	2004	2005	2004
		Number of shares		Ordinary share capital	
	Note			*HK$'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.10 each		**2,000,000,000**	2,000,000,000	**200,000**	200,000
Issued and fully paid:					
At beginning of year		**1,451,185,500**	1,106,580,700	**145,119**	110,658
Issue of shares					
Exercise of share options	*(a)*	**76,800,000**	123,600,000	**7,680**	12,360
Exercise of warrants	*(b)*	**248,580,000**	4,800	**24,858**	1
Subscribed shares		**–**	221,000,000	**–**	22,100
At end of year		**1,776,565,500**	1,451,185,500	**177,657**	145,119

Note:

(a) During the year, 76,800,000 (2004: 123,600,000) ordinary shares of HK$0.10 each were issued in relation to share options exercised by directors, employees and suppliers under the share option scheme at HK$0.38 per share.

(b) On 10 June 2004, the Company issued 259,000,000 warrants at a placing price of HK$0.097 per warrant by private placement to not less than 100 selected independent investors. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 each of the Company at an initial subscription price of HK$0.20 per share on or after 18 June 2004, but not later than 23 June 2005, both days inclusive. The net proceeds of approximately HK$24.2 million were used for general working capital of the Group.

During the year, registered holders of 248,580,000 warrants exercised their rights to subscribe for 248,580,000 ordinary shares at a consideration of HK$49,716,000 of which HK$24,858,000 was credited to share capital and the balance of HK$24,858,000 was credited to the share premium account.

25. SHARE OPTION SCHEME

The share option scheme of the Company (the "Scheme") was adopted at the special general meeting of the Company on 9 July 2002 for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme should, unless otherwise terminated or amended, remain in force for ten years from 17 July 2002.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 28 September 2004 (i.e. not exceeding 177,500,550 shares of the Company). Share options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5,000,000, is subject to prior approval from shareholders in a general meeting.

25. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options shall be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than ten years from the date of the offer of the share options subject to the provisions for early termination set out in the Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto except otherwise imposed by the board of directors.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of the share options which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily a quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

During the year, 76,800,000 share options were exercised by directors, employees and suppliers of the Group, details of which are set out in note 24(a). No options were granted, cancelled or lapsed during the year ended 31 March 2005 (2004: Nil).

The total number of the Company's Shares currently available for issue under the Scheme is 177,500,550 Shares, being 6.6% of the issued share capital of the Company as at 22 July 2005.

A summary of the movement of share options granted under the Scheme during the year is as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per share	Weighed average* closing price of shares	Number of share options outstanding at 1 April 2004	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled/ lapsed during the year	Number of share options outstanding at 31 March 2005
			HK$	*HK$*					
Directors									
Mr. Leung Ngok	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.403	12,800,000	–	(12,800,000)	–	–
Mr. Leung Shing	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.437	12,800,000	–	(12,800,000)	–	–
Mr. Lee Ka Yiu, Andy	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.432	12,800,000	–	(12,800,000)	–	–
Other employees (in aggregate)	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.437	12,800,000	–	(12,800,000)	–	–
Suppliers (in aggregate)	4 Nov 2003	10 Oct 2003 – 9 Oct 2013	0.38	0.397	25,600,000	–	(25,600,000)	–	–
					76,800,000	–	(76,800,000)	–	–

* Weighed average closing price of shares is the weighed average closing price of the Company's shares for the five business days immediately before the dates on which the options were exercised.

26. RESERVES

	Company			
	Share premium	Contributed surplus	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000* (*note a*)	*HK$'000*	*HK$'000*
At 1 April 2003	139,985	40,358	(5,705)	174,638
Issue of shares				
Exercise of share options	27,382	–	–	27,382
Exercise of warrants	2	–	–	2
Subscribed shares	57,630	–	–	57,630
Shares issue expenses	(1,966)	–	–	(1,966)
Net profit attributable to shareholders	–	–	32,388	32,388
Dividends paid *(note 9)*	–	–	(22,285)	(22,285)
At 31 March 2004	223,033	40,358	4,398	267,789
Representing:				
At 31 March 2004 after proposed final dividend				245,637
Proposed final dividend *(note 9)*				22,152
				267,789

26. RESERVES (CONTINUED)

	Company				
	Share premium	**Contributed surplus**	**Warrants reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000* *(note a)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	223,033	40,358	–	4,398	267,789
Proceeds from issue of warrants *(note 24(b))*	–	–	25,123	–	25,123
Issue of shares upon:					
Exercise of share options *(note 24(a))*	21,504	–	–	–	21,504
Exercise of warrants *(note 24(b))*	48,971	–	(24,113)	–	24,858
Expense incurred in connection with exercise of warrants	(874)	–	–	–	(874)
Expense incurred in connection with exercise of share options	(94)	–	–	–	(94)
Net profit for the year attributable to shareholders	–	–	–	31,483	31,483
Dividends paid *(note 9)*	–	–	–	(35,504)	(35,504)
At 31 March 2005	**292,540**	**40,358**	**1,010**	**377**	**334,285**
Representing:					
At 31 March 2005 after proposed final dividend					312.848
Proposed final dividend *(note 9)*					21,437
					334,285

Note:

(a) The contributed surplus represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited completed on 16 October 2000 over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is available for cash distribution and/or distribution in specie in certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of additional interests in subsidiaries

	Group	
	2005	2004
	HK$'000	*HK$'000*
Net assets acquired:		
Minority interests	**5,000**	2,522
Goodwill	**27,000**	91,743
	32,000	94,265
Satisfied by:		
Cash consideration	**32,000**	94,265

(b) Disposals of interests in subsidiaries

	Group	
	2005	2004
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	**–**	6,023
Prepayments and other receivables	**–**	358
Provision for taxation	**–**	(9,465)
Minority interests	**–**	3,290
	–	206
Gain on disposals of interests in subsidiaries	**–**	45,294
	–	45,500
Satisfied by:		
Cash consideration	**–**	45,500

The results of the interests in subsidiaries disposed of in the year ended 31 March 2004 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Analysis of cash flows from financing activities

	Group		
	Bank loans	**Term and syndicated loans**	**Finance lease payables**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2003	10,032	130,000	15,334
New drawdown	7,766	210,000	2,862
Repayment	(1,967)	(130,000)	(6,827)
At 31 March 2004	15,831	210,000	11,369
New drawdown	101,870	37,500	25,482
Repayment	(77,501)	(15,000)	(6,494)
At 31 March 2005	**40,200**	**232,500**	**30,357**

(d) Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$25,482,000 (2004: HK$2,862,000).

28. RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid rental expenses of HK$84,000 (2004: HK$910,000) to Mr. Leung Ngok and Mr. Leung Shing for properties jointly owned by them. In addition, the Group paid rental expenses of HK$720,000 (2004: HK$720,000) and HK$ Nil (2004: HK$50,000) to Mr. Leung Shing and the wife of Mr. Leung Ngok respectively. Mr. Leung Ngok and Mr. Leung Shing are executive directors of the Company. The properties leased were occupied by the Group as retail outlets and directors' quarters.

(b) During the year, the Group had the following transactions with Texcote Technology (International) Limited, a jointly-controlled entity:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Purchases	**4,781**	1,100
Rental income received	**180**	122
Management fee received	**423**	548
Licensing fee paid	**2,000**	4,000

(c) At 31 March 2005, certain wholly-owned subsidiaries of the Group provided advances totalling approximately HK$138 million (2004: HK$95 million) to New Asia Associates Limited, (a non-wholly owned subsidiary of the Group), and its subsidiaries, with interest charged at 2% (2004: 2%) per annum. The advances are unsecured and have no fixed terms of repayment. The principal purpose of these advances is to finance the non-wholly owned subsidiary's investment activities.

29. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 March 2005 (2004: HK$ Nil).

As 31 March 2005, the Company had provided unlimited corporate guarantees for banking facilities granted to certain of its subsidiaries, which were utilised to the extent of HK$143,655,000 (2004: HK$66,828,000) as at that date (note 20), and corporate guarantees for finance lease payables of certain subsidiaries of HK$10,954,000 (2004: HK$10,223,000) (note 21).

30. OPERATING LEASE ARRANGEMENTS

(a) At 31 March 2005, the Group had total future minimum lease receivables and payables under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
As lessor:		
Within one year	**720**	740

	Group	
	2005	2004
	HK$'000	*HK$'000*
As lessee:		
Within one year	**10,305**	13,999
In the second to fifth years, inclusive	**17,282**	4,693
Over five years	**4,095**	–
	31,682	18,692

(b) The Company did not have any operating lease arrangements as at the balance sheet date (2004: HK$ Nil).

31. CAPITAL COMMITMENTS

(a) At 31 March 2005, the Group had the following capital commitments:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Contracted but not provided for:		
(i) non-current investment	**–**	11,000
(ii) construction of dormitory	**3,839**	–
(iii) construction of factory buildings	**381**	4,587
	4,220	15,587

(b) The Company did not have any significant capital commitments as at the balance sheet date (2004: HK$ Nil).

32. POST BALANCE SHEET DATE EVENTS

(a) During the year, two subsidiaries of the Company have established two subsidiaries in the PRC (南昌市德科納米紡織有限公司 and 南昌市佑威服裝有限公司) with total investment costs amounted to HK$156,000,000 (US$20,000,000) as approved by the Nanchang City Local Government of the PRC. These two subsidiaries are principally engaged in the Texnology Nano group business. Subsequent to balance sheet date, approximately HK$40,000,000 were paid as contributed capital.

(b) On 18 July 2005, a wholly owned subsidiary of the Company entered into a syndicated loan facility agreement (the "Facility Agreement") related to a term loan facility of up to HK$220,000,000 and a revolving facility of up to HK$110,000,000 with a syndicate of banks. The Facility Agreement imposes an obligation to procure that Mr Leung Ngok, his family members, related trusts and companies controlled by him shall at all times remain the direct or indirect beneficial owner of at least 30% of the total issued share capital of the Company.

(c) Pursuant to the ordinary resolution passed by the shareholders at the special general meeting dated 28 June 2005, the Company increased its authorized share capital from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.1 each to HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each by the creation of an additional 3,000,000,000 unissued shares.

(d) Pursuant to the prospectus of the Company dated 30 June 2005, the Company proposed an open offer of 893,232,750 new shares of HK$0.25 each on the basis of one offer share for every two shares held by existing shareholders on record date. On 19 July 2005, the open offers became unconditional and total number of 893,232,750 offer shares were issued. The Company raised proceeds of approximately HK$223,308,000, before issuing expenses.

(e) On 22 July 2005, the directors proposed a final dividend for the year ended 31 March 2005, details of which are set out in note 9.

33. COMPARATIVE FIGURES

Certain comparative figures in the income statement and the notes thereto have been reclassified to conform to the current year's presentation. The changes included the reclassification of some direct costs from administrative expenses to cost of sales in the income statement and reclassification of a balance from share of net assets of jointly controlled entities to impairment losses in note to jointly controlled entities. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's operating results.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 July 2005.