1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

The Group had net cash used in operating activities of HK$18,637,000 (2004: HK$9,051,000) for the year ended 31st March 2005, and as at 31st March 2005 its current liabilities exceeded its current assets by HK$12,429,000 (2004: net current assets of HK$11,644,000). Notwithstanding these, the accounts have been prepared on a going concern basis as the directors, having considered the current operation and business plan of the Group as well as the currently available banking facilities, are of the opinion that the Group will have sufficient working capital to enable it to operate as a going concern.

The 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 1st January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st 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.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

1. Principal Accounting Policies *(continued)*

(b) Consolidation *(continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Subsidiaries established in the PRC adopt 31st December as their accounting year end date pursuant to local reporting regulations. Accordingly, the management accounts of these subsidiaries as at and for the twelve months ended 31st March have been incorporated in the consolidated accounts after making adjustments as the directors considered appropriate for compliance with accounting principles generally accepted in Hong Kong.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any capital reserve or exchange differences which were not previously charged or recognised in the consolidated profit and loss account.

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

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

(c) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets at the date of acquisition. Goodwill is recognised as an intangible asset and is amortised on a straight-line basis over its estimated useful life but not exceeding 20 years.

1. Principal Accounting Policies *(continued)*

(c) Intangible assets *(continued)*

(ii) Trademarks

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation of trademarks is calculated to write off their costs on a straight-line basis over a period of 15 years.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining terms of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised, if any, in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(ii) Leasehold land and buildings

Leasehold land and buildings other than investment properties are stated at cost or valuation less accumulated amortisation or depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

(iii) Amortisation of leasehold land

Amortisation of leasehold land other than investment properties is calculated to write off its cost over the unexpired period of the lease on a straight-line basis. The principal annual rate used for this purpose is 2%.

(iv) Depreciation of leasehold buildings

Depreciation of leasehold buildings other than investment properties is calculated to write off their cost over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 2%.

(v) Leasehold improvements and other fixed assets

Leasehold improvements and other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of leasehold improvements and other fixed assets is calculated to write off their cost over their expected useful lives to the Group on a reducing balance basis. The principal annual rates are as follows:

Leasehold improvements	10-15% or over the lease terms, whichever is shorter
Furniture and fixtures	10-15%
Machinery, equipment and tools	10-15%
Motor vehicles	10-15%
Office and computer equipment	10-33%

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(vi) Impairment of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carry amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(vii) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(viii) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

1. Principal Accounting Policies *(continued)*

(e) Assets under leases

(i) Finance leases

Leases or hire purchase contracts that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate of return on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current liabilities or long-term liabilities, as appropriate, as obligations under finance leases. The finance charges are charged to the profit and loss account over the lease or hire purchase periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Other investment

Other investment is stated at cost less any accumulated impairment loss.

The carrying amount of other investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of other investment is reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that new circumstances and events will persist for the foreseeable future.

1. Principal Accounting Policies *(continued)*

(g) Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value.

Cost, calculated on the weighted average basis, comprises direct materials, shipment costs and subcontracting expenses.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences arising are dealt with as a movement in reserves. Upon disposal of a foreign enterprise, the related cumulative exchange difference is included in the profit and loss account as part of the gain or loss on disposal.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

1. Principal Accounting Policies *(continued)*

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group continues to operate an occupational retirement scheme which has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the scheme, both the employers and employees are required to contribute an amount equal to 5% of the basic salary of the employees on a monthly basis. The Group's contributions to the scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Besides, the Group continues to operate a mandatory provident fund scheme ("the MPF Scheme") under which both the Group and staff are required to contribute 5% (subject to an aggregate maximum of HK$2,000 per month) of the employees' relevant income. Contributions from the employer are 100% vested in the employees as soon as they are paid to the MPF Scheme.

Contributions for the above schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

1. Principal Accounting Policies *(continued)*

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. 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, 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.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

(o) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred unless borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

1. Principal Accounting Policies *(continued)*

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and exclude other investment. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. The assets and capital expenditure are where the assets are located.

(q) Revenue recognition

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

Income from sample sales is recognised when samples are approved by customers.

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

Operating lease rental income is recognised on a straight-line basis.

2. Turnover, Revenue and Segment Information

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of garments. Revenues recognised during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**110,608**	208,185
Other revenues		
Interest income	**2,151**	4,835
Rental income	**1,791**	1,467
Income from sample sales	**98**	105
	4,040	6,407
Total revenues	**114,648**	214,592

2. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format — business segments

	Year ended 31st March, 2005 HK$'000		
	Sales of outerwear garments	Licensee business	Total
Turnover	100,798	9,810	110,608
Segment operating profit	22,164	(11,960)	10,204
Interest income			2,151
Rental income			1,791
Unallocated costs			(11,531)
Operating profit			2,615
Finance costs			(2,280)
Profit before taxation			335
Taxation charge			(2)
Profit after taxation			333
Minority interests			842
Profit attributable to shareholders			1,175
Segment assets	66,552	16,104	82,656
Unallocated assets			29,700
Total assets			112,356
Segment liabilities	19,507	16,502	36,009
Unallocated liabilities			9,929
Total liabilities			45,938
Capital expenditure	15,545	2,585	18,130
Depreciation	1,527	816	2,343
Amortisation and impairment loss on trademarks	498	—	498
Reversal of impairment loss on leasehold land and buildings	19,365	—	19,365

(a) Export business mainly represents export sales of outerwear garments to overseas customer.

(b) Licensee business represents the retailing and distribution of HEAD® products in Greater China including Hong Kong, Taiwan and Macau.

2. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format — business segments *(continued)*

	Year ended 31st March, 2004 HK$'000		
	Export business	Licensee business	Total
Turnover	205,353	2,832	208,185
Segment operating loss	(3,579)	(7,424)	(11,003)
Interest income			4,835
Rental income			1,467
Unallocated cost			(10,569)
Operating loss			(15,270)
Finance costs			(2,461)
Loss before taxation			(17,731)
Taxation charge			(243)
Loss after taxation			(17,974)
Minority interests			502
Loss attributable to shareholders			(17,472)
Segment assets	53,372	6,148	59,520
Unallocated assets			17,946
Total assets			77,466
Segment liabilities	7,603	7,814	15,417
Unallocated liabilities			10,745
Total liabilities			26,162
Capital expenditure	5,183	568	5,751
Depreciation	1,554	303	1,857
Amortisation charge	168	—	168

2. Turnover, Revenue and Segment Information *(continued)*

Secondary reporting format — geographical segments

	Year ended 31st March, 2005 *HK$'000*			
	Turnover	Segment operating profit	Total assets	Capital expenditure
United States of America	76,075	5,913	1,692	—
Europe	23,012	2,630	91	—
Canada	1,410	94	3	—
Hong Kong	4,234	14,496	76,732	13,833
Mainland China	5,576	(12,761)	33,115	4,297
Others	301	(168)	723	—
	110,608	10,204	112,356	18,130
Interest income		2,151		
Rental income		1,791		
Unallocated costs		(11,531)		
Operating profit		2,615		

2. Turnover, Revenue and Segment Information *(continued)*

Secondary reporting format — geographical segments *(continued)*

	Year ended 31st March, 2004 HK$'000			
	Turnover	Segment operating loss	Total assets	Capital expenditure
United States of America	157,818	(2,754)	1,251	—
Europe	22,739	869	80	—
Canada	16,975	480	1	—
Hong Kong	441	(949)	62,746	67
Mainland China	2,812	(8,854)	13,358	5,684
Others	7,400	205	30	—
	208,185	(11,003)	77,466	5,751
Interest income		4,835		
Rental income		1,467		
Unallocated costs		(10,569)		
Operating loss		(15,270)		

3. Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Crediting		
Revaluation surplus on investment properties	**—**	304
Write-back of provision for obsolete inventories	**—**	1,248
Net exchange gain	**324**	—
Charging		
Amortisation of trademarks	**168**	168
Amortisation of goodwill	**33**	—
Impairment loss on trademarks	**330**	—
Auditors' remuneration	**801**	645
Depreciation		
Owned fixed assets	**2,144**	1,623
Leased fixed assets	**199**	234
Net exchange losses	**—**	1,116
Net loss on disposal of fixed assets	**170**	101
Staff costs, including directors' emoluments *(notes 4 & 10)*	**22,176**	20,537
Operating leases		
Land and buildings	**4,763**	2,626
Hire of machinery and equipment	**—**	17
Outgoings in respect of investment properties	**100**	160
Provision for bad and doubtful debts	**926**	529
Provision for obsolete inventories	**207**	—

4. Staff Costs

	Group	
	2005	2004
	HK$'000	*HK$'000*
Wages and salaries	**12,717**	11,102
Pension costs — defined contribution plans	**557**	529
Total staff costs, excluding directors' emoluments	**13,274**	11,631

5. Finance Costs

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**2,234**	2,409
Interest element of finance leases	**46**	52
Total borrowing costs incurred	**2,280**	2,461

6. Taxation Charge

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current tax *(note 6(i))*	**121**	—
Under provision in previous years	**—**	6
Overseas taxation		
Current tax *(note 6(ii))*	**20**	—
(Over)/under provision in previous years	**(203)**	186
Deferred taxation relating to the origination and reversal of temporary differences *(note 21)*	**64**	51
Taxation charge	**2**	243

(i) Hong Kong profits tax is calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

(ii) Taxation on overseas profits is calculated on the estimated assessable profit at the tax rates prevailing in the countries in which the subsidiaries operate.

6. Taxation Charge *(continued)*

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**335**	(17,731)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**59**	(3,103)
Effect of different taxation rates in other countries	**113**	(20)
Income not subject to taxation	**(3,457)**	(3)
Expenses not deductible for taxation purposes	**1,078**	2,884
Utilisation of previously unrecognised tax losses	**(51)**	—
Unrecognised tax losses	**2,058**	690
Temporary differences not previously recognised	**405**	(397)
(Over)/under provision in previous years	**(203)**	192
Taxation charge	**2**	243

7. Profit/(loss) Attributable to Shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK$13,492,000 (2004: HK$5,828,000).

8. Earnings/(loss) per Share

The calculation of basic earnings/(loss) per share is based on the Group's earnings/loss attributable to shareholders of HK$1,175,000 (2004: profit of HK$17,472,000).

The basic earnings/(loss) per share is based on 389,500,000 (2004: 389,500,000) ordinary shares in issue during the year. No diluted earnings/(loss) per share is presented as there are no dilutive potential ordinary shares for the years ended 31st March, 2005 and 2004.

9. Retirement Benefit Costs

The retirement benefit costs charged to the consolidated profit and loss account represent gross contributions payable by the Group to the retirement scheme of HK$694,000 (2004: HK$617,000) less forfeited contributions utilised of HK$86,000 (2004: HK$34,000). Contributions of HK$107,000 (2004: HK$148,000) were payable to the scheme at the year end and are included in current liabilities under accrued charges. As at 31st March, 2005, there were no unutilised forfeited contributions (2004: HK$43,000).

10. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Fees	**580**	600
Other emoluments		
Basic salaries and housing benefits	**8,268**	8,252
Contributions to defined contributions scheme	**54**	54
	8,902	8,906

Directors' fees disclosed above represent amount paid to the non-executive directors.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2005	2004
Emolument bands		
HK$Nil — HK$1,000,000	**3**	3
HK$3,500,001 — HK$4,000,000	**1**	1
HK$4,000,001 — HK$4,500,000	**1**	1
	5	5

10. Directors' and Senior Management's Emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2004: three) individuals during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Basic salaries	**1,234**	1,424
Bonuses	**108**	125
Pensions	**65**	69
	1,407	1,618

The emoluments of each of the three individuals (2004: three) were below HK$1,000,000 (2004: HK$1,000,000).

(c) No emolument have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

11. Intangible Assets

	Trademarks	Group Goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*
Opening net book amount	498	—	498
Acquisition	—	661	661
Impairment charge	(330)	—	(330)
Amortisation charge	(168)	(33)	(201)
Closing net book amount	—	628	628
At 31st March, 2005			
Cost	2,521	661	3,182
Accumulated amortisation and impairment losses	(2,521)	(33)	(2,554)
Net book amount	—	628	628
At 31st March, 2004			
Cost	2,521	—	2,521
Accumulated amortisation and impairment losses	(2,023)	—	(2,023)
Net book amount	498	—	498

In July 2004, the Group invested an additional amount of HK$2,822,000 to increase the equity interest by 24.5% in Wuhan HanDe Sportswear Company Limited. The share of fair value of underlying net assets acquired was lower than the consideration, therefore giving rise to goodwill of HK$661,000.

12. Fixed Assets

	Group							
	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery, equipment and tools HK$'000	Motor vehicles HK$'000	Office and computer equipment HK$'000	Total HK$'000
Cost or valuation								
At 1st April, 2004	14,275	40,583	3,167	5,037	439	3,350	9,423	76,274
Additions	—	15,312	1,590	382	182	315	349	18,130
Revaluation surplus	12,694	—	—	—	—	—	—	12,694
Disposals	—	—	(285)	—	—	—	—	(285)
At 31st March, 2005	**26,969**	**55,895**	**4,472**	**5,419**	**621**	**3,665**	**9,772**	**106,813**
At cost	—	55,895	4,472	5,419	621	3,665	9,772	79,844
At valuation	26,969	—	—	—	—	—	—	26,969
	26,969	55,895	4,472	5,419	621	3,665	9,772	106,813
Accumulated depreciation and impairment:								
At 1st April, 2004	—	23,908	2,014	3,614	265	1,303	7,739	38,843
Charge for the year	—	579	715	267	35	334	413	2,343
Reversal of impariment loss previously made	—	(19,365)	—	—	—	—	—	(19,365)
Disposals	—	—	(115)	—	—	—	—	(115)
At 31st March, 2005	**—**	**5,122**	**2,614**	**3,881**	**300**	**1,637**	**8,152**	**(21,706)**
Net book value								
At 31st March, 2005	**26,969**	**50,773**	**1,858**	**1,538**	**321**	**2,028**	**1,620**	**85,107**
At 31st March, 2004	14,275	16,675	1,153	1,423	174	2,047	1,684	37,431

12. Fixed Assets *(continued)*

(a) The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	**60,510**	28,781
Outside Hong Kong, held on:		
Leases of over 50 years	**17,232**	2,169
	77,742	30,950

(b) Investment properties were revalued as at 31st March, 2005 on the basis of their open market value by Jones Lang LaSalle Limited, an independent firm of chartered surveyors. The revaluation surplus transferred to the property revaluation reserve amounted to HK$12,694,000 (2004: HK$2,471,000) *(note 19)*.

(c) As at 31st March, 2005, the investment properties and leasehold land and buildings in Hong Kong and outside Hong Kong with the total carrying value of HK$75,618,000 (2004: HK$28,781,000) were charged to certain banks to secure banking facilities granted to the Group *(note 24)*.

(d) Based on a valuation of the Group's land and buildings in Hong Kong performed by Jones Lang LaSalle Limited as at 31st March, 2005, the Group reversed HK$19,365,000 (2004: Nil) for the year ended 31st March, 2005 in respect of impairment loss on land and buildings made in previous year.

(e) As at 31st March, 2005, the net book value of motor vehicles includes assets held by the Group under finance leases amounted to HK$1,127,000 (2004: HK$1,326,000).

13. Investments in Subsidiaries

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**68,192**	68,192
Amounts due from subsidiaries *(note 13(b))*	**74,377**	74,372
	142,569	142,564
Less: provision for impairment losses	**(86,374)**	(72,965)
	56,195	69,599

(a) Particulars of the Company's subsidiaries are set out in note 29 to the accounts.

(b) The amounts due from subsidiaries are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

(c) In February 2005, a new equity joint venture limited liability company, Takson (Suzhou) Garment Manufacturing Company Limited, was established between a subsidiary of the company and a third party in the PRC. The Group has a 55% equity interest in the joint venture company and controls the majority of its Board.

In March 2005, an initial capital contribution of HK$1,850,000 was made by the Group into the joint venture company which was funded by a director's loan of HK$2,500,000 (note 24) made in the same month. The remaining capital injection of HK$2,700,000 was funded by the proceeds from the rights issues arranged after the year end.

14. Other Investment

Other investment represents a Corporate Nomination Right acquired from the Chinese International School Foundation Limited and will be used for the benefits of the senior management of the Group. It is non-interest bearing and unsecured but transferable at a charge of fee at 20% of the higher of the original issue price or the current issue upon the transfer and is redeemable at any time, at the sole discretion of the issuer, provided that no such redemption will take place until the relevant Corporate Nomination Right has been in issue for ten years. As at the date of approval of these accounts, no nomination right has been used by any senior management staff of the Group.

15. Inventories

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**496**	130
Work-in-progress	**35**	144
Finished goods	**5,067**	3,166
	5,598	3,440

At 31st March, 2005, the carrying amount of inventories that are carried at net realisable value amounted to HK$5,450,000 (2004: HK$319,000). The inventories are stated after a provision for obsolete inventories of HK$1,325,000 (2004: HK$1,315,000).

16. Trade Receivables

(a) The ageing analysis of the trade receivables was as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Below 1 month	**1,714**	124
1 to 3 months	**542**	74
4 to 6 months	**6**	5
Over 6 months	**409**	396
	2,671	599
Less: Provision for bad and doubtful debts	**(320)**	(180)
	2,351	419

The majority of the Group's sales are on letter of credit of 30 days. The remaining sales which were not covered by letter of credit are with credit terms of 30 days.

(b) As at 31st March, 2005, trade receivables included amounts totalling HK$1,278,000 (2004: HK$95,000) which were factored to a bank in the ordinary course of business.

17. Trade Payables

The ageing analysis of trade payables was as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Below 1 month	**480**	206
1 to 3 months	**522**	15
4 to 6 months	**328**	89
7 to 9 months	**251**	92
10 to 12 months	**1,566**	3
Over 1 year	**79**	674
	3,226	1,079

18. Share Capital

	Company			
	Ordinary shares of HK$0.1 each			
	2005		2004	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Authorised:				
At 31st March, 2003, 31st March, 2004 and 31st March, 2005	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
At 1st April and 31st March	**389,500,000**	**38,950**	389,500,000	38,950

Subsequent to the year end, the Group raised approximately HK$7.2 million after expenses by issuing 77,900,000 rights shares at a price of HK$0.10 per rights share.

19. Reserves

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share premium				
At 1st April and 31st March	**42,032**	42,032	**42,032**	42,032
Contributed surplus *(note 19(a))*				
At 1st April and 31st March	**—**	—	**67,992**	67,992
Exchange fluctuation reserve				
At 1st April	**8**	5	**—**	—
Exchange difference arising on translation of the accounts of overseas subsidiaries	**(1)**	3	**—**	—
At 31st March	**7**	8	**—**	—
Reserve on consolidation *(note 19(b))*				
At 1st April and 31st March	**2,214**	2,214	**—**	—
Investment property revaluation reserve				
At 1st April	**2,471**	—	**—**	—
Surplus on revaluation *(note 12(b))*	**12,694**	2,471	**—**	—
At 31st March	**15,165**	2,471	**—**	—
Accumulated losses *(note 19(c))*				
At 1st April	**(35,100)**	(17,628)	**(78,532)**	(72,704)
Profit/(loss) attributable to shareholders	**1,175**	(17,472)	**(13,492)**	(5,828)
At 31st March	**(33,925)**	(35,100)	**(92,024)**	(78,532)
Total reserves	**25,493**	11,625	**18,000**	31,492

19. Reserves *(continued)*

(a) The contributed surplus represents the excess of the consolidated net asset value of Takson (B.V.I.) Limited on its merger with the Company over the nominal value of the Company's shares issued in the exchange therefor. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to the sharesholders, unless there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(b) Reserve on consolidation pursuant to the exchange of shares on group reorganisation represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof.

20. Long-Term Liabilities

		Group	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Bank loans — secured	*20 (a), 23*	**31,121**	15,910
Obligations under finance leases	*20 (b)*	**679**	1,005
Post-employment benefits		**263**	646
		32,063	17,561
Less: Current portion of long-term liabilities		**(22,305)**	(13,596)
		9,758	3,965

20. Long-Term Liabilities *(continued)*

(a) At 31st March, 2005, the Group's bank loans are repayable as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**21,951**	13,270
In the second year	**1,873**	1,667
In the third to fifth year inclusive	**7,297**	973
	31,121	15,910

(b) At 31st March, 2005 the Group's finance lease liabilities are repayable as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**394**	372
In the second year	**348**	394
In the third to fifth year	**—**	348
	742	1,114
Future finance charges on finance leases	**(63)**	(109)
	679	1,005

The present value of finance lease liabilities is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**355**	326
In the second year	**324**	355
In the third to fifth year	**—**	324
	679	1,005

21. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%) for subsidiaries operating in Hong Kong. Deferred taxation for subsidiaries operates in overseas is calculated at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The movement on the deferred tax liabilities account is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
At 1st April	**51**	—
Deferred taxation charged to profit and loss account *(note 6)*	**64**	51
At 31st March	**115**	51

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$53,288,000 (2004: HK$41,914,000) to carry forward against future taxable income. The tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group Accelerated tax depreciation	
	2005	2004
	HK$'000	*HK$'000*
At 1st April	**722**	—
(Credited)/charged to profit and loss account	**(46)**	722
At 31st March	**676**	722

21. Deferred Taxation *(continued)*

Deferred tax assets

	Group							
	Decelerated tax depreciation		Provisions		Tax losses		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1st April	**(570)**	—	**(50)**	—	**(51)**	—	**(671)**	—
(Credited)/charged to profit and loss account	**154**	(570)	**(95)**	(50)	**—**	(51)	**59**	(671)
At 31st March	**416**	(570)	**(145)**	(50)	**(51)**	(51)	**612**	(671)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Deferred tax assets	**(448)**	(621)
Deferred tax liabilities	**563**	672
	115	51

22. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of loss before taxation to net cash outflow from operations

	Group	
	2005	2004
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**335**	(17,731)
Amortisation of trademarks	**168**	168
Amortisation of goodwill	**33**	—
Provision for impairment loss on trademarks	**330**	—
Depreciation of owned fixed assets	**2,144**	1,623
Depreciation of fixed assets held under finance leases	**199**	234
Net loss on disposal of fixed assets	**170**	101
Revaluation surplus on investment properties	**—**	(304)
Reversal of impairment loss on leasehold land and buildings	**(19,365)**	—
Provision for long service payments	**(383)**	—
Interest income	**(2,151)**	(4,835)
Interest on bank loans and overdrafts	**2,234**	2,409
Interest element of finance leases	**46**	52
Operating loss before working capital changes	**(16,240)**	(18,283)
(Increase)/decrease in inventories	**(2,158)**	3,126
(Increase)/decrease in trade, other receivables, prepayments and deposits	**(2,617)**	7,392
Increase/(decrease) in trade payables, accrued charges and other payables	**2,056**	(900)
Effect of foreign exchange rate changes	**12**	2
Net cash outflow from operations	**(18,947)**	(8,663)

22. Notes to the Consolidated Cash Flow Statement *(continued)*

(b) Analysis of changes in financing during the year

	Group									
	Director's loan		Share capital including share premium		Trust receipts and others bank loans		Finance leases		Minority interests	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Balance at 1st April	**—**	—	**80,920**	80,982	**17,567**	14,963	**1,005**	1,373	**729**	1,231
Exchange rate differences	**—**	—	**—**	—	**—**	—	**—**	—	**12**	—
Goodwill on consolidation	**—**	—	**—**	—	**—**	—	**—**	—	**661**	—
Share of loss of a subsidiary	**—**	—	**—**	—	**—**	—	**—**	—	**(842)**	(502)
Cash inflow/(outflow) from financing	**2,500**	—	**—**	—	**16,491**	2,604	**(326)**	(368)	**1,415**	—
Balance at 31st March	**2,500**	—	**80,920**	80,982	**34,058**	17,567	**679**	1,005	**1,975**	729

(c) Analysis of the balances of cash and cash equivalents

	Group	
	2005	2004
	HK$'000	*HK$'000*
Cash and bank balances	**10,328**	24,977
Bank overdrafts — secured	**—**	(594)
	10,328	24,383

23. Banking Facilities

As at 31st March, 2005, the Group's banking facilities amounting to HK$186,051,000 (2004: HK$195,918,000) were secured by the following:

(a) first legal charge over investment properties and leasehold land and buildings in Hong Kong and PRC held by the Group with an aggregate carrying value of HK$75,618,000 (2004: HK$28,781,000) *(note 12)*;

(b) corporate guarantees from the Company and certain subsidiaries of the Group; and

(c) The directors are currently in discussion with a major creditor bank in Hong Kong to renew and maintain the existing facility amount. The directors are confident that the revised facilities would be granted by the bank in due course.

24. Director's Loan

This represent an unsecured and interest-free loan advanced by Mr. Takson Wong, a director of the Company, in March 2005. Subsequent to the financial year end, the director made an additional loan of HK$2,500,000 to the Group. In May 2005, the Group repaid HK$2,500,000 to him. The director has confirmed that the remaining balance is unsecured, interest-free and will not be demanded for repayment until the Group is in a position to do so.

25. Contingent Liabilities

The Group had no material contingent liabilities as at 31st March 2005 and 2004.

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2005 amounted to HK$35,451,000 (2004: HK$19,172,000).

26. Commitments

(a) Capital commitments

As at 31st March, 2005, the Group had capital commitments, which are contracted but not provided for in respect of the investment in joint venture and in fixed assets amounted to HK$3,350,000 and HK$896,000 respectively (2004: HK$Nil).

The Company had no material capital commitments as at 31st March, 2005 and 2004.

(b) Commitments under operating leases

(i) At 31st March, 2005, future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**2,827**	2,220	**1,334**	972
Later than one year and not later than five years	**4,105**	562	**1,001**	—
	6,932	2,782	**2,335**	972

26. Commitments *(continued)*

(b) Commitments under operating leases *(continued)*

(i) *(continued)*

The balances above do not include operating lease payment obligation in respect of certain operating leases on properties of the Group with variable rentals which are calculated based on certain percentage of the gross revenues of the subsidiaries.

(ii) At 31st March, 2005, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Not later than one year	**1,244**	1,170
Later than one year and not later than five years	**110**	566
	1,354	1,736

27. Subsequent Events

Except for those events as disclosed in notes 13, 18, 23(c) and 24, there are no other material subsequent events.

28. Ultimate Holding Company

The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

29. Particulars of Subsidiaries

The subsidiaries of the Company at 31st March, 2005 are as follows:

Name	Country/ Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued share capital/ registered capital	Attributable equity interest
Interest held directly				
Global Sportswear Inc.	British Virgin Islands ("BVI")	Investment holding and sales of sportswear	1 ordinary share of US$1	100%
Takson (B.V.I.) Limited	BVI	Investment Holding	1,000 ordinary shares of US$1 each	100%
Interest held indirectly				
^Nanjing Takson Meierzi Manufacturing Limited	PRC	Inactive	Registered capital of US$1,200,000 (Paid up capital of US$181,200)	70%
Powderhorn Establishment	Liechtenstein	Holding of trademarks	Swiss Franc 30,000	100%
*Shanghai Global Sportswear Inc.	PRC	Manufacturing and sale of garments	Registered capital of US$200,000	100%
Takson Down Manufacturing, Inc.	United States of America	Trading of outerwear garments supplied by a group company	200,000 ordinary shares of US$1 each	100%
Takson Garment Manufacturing (Malaysia) Limited	Labuan, Malaysia	Sourcing and sales of outerwear garments	1 ordinary share of US$1	100%

29. Particulars of Subsidiaries *(continued)*

Name	Country/ Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued share capital/ registered capital	Attributable equity interest
Interest held indirectly *(continued)*				
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of outerwear garments	20 ordinary shares of HK$10,000 each	100%
Takson Garment Services Limited	BVI	Inactive	10 ordinary shares of US$1 each	100%
Takson Properties Limited	BVI	Property holding in Hong Kong	1 ordinary share of US$1	100%
^Wuhan Hande Sportswear Co. Ltd.	PRC	Sales of sportswear	Registered capital of RMB$6,000,000	75.5%
^Takson (Suzhou) Garment Manufacturing Company, Limited	PRC	Manufacture, export and sales of garments	Registered capital of RMB$10,000,000	55%

* Wholly Foreign-owned Enterprise
^ Sino-Foreign Equity Joint Venture Enterprise

30. Approval of Accounts

The accounts were approved by the board of directors on 25th July, 2005.