1. General information

Takson Holdings Limited (the Company) and its subsidiaries (together the Group) engaged in the sourcing, subcontracting, marketing and selling of garments, including licenced products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated accounts have been approved for issue by the Board of Directors on 27th July, 2006.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated accounts of Takson Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated accounts have been prepared under the historical cost convention, except that financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 4.

The Group recorded loss for the year of HK$22,429,000 (2005 restated: profit for the year HK$10,582,000) and net cash used in operating activities of HK$55,801,000 (2005 restated: HK$18,637,000) for the year ended 31st March, 2006. 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 availability of banking facilities are of the opinion that the Group will have sufficient working capital to enable the Group to operate as a going concern.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS

During the year ended 31st March, 2006, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combination
HKAS Int 21	Income Taxes — Recovery of Revalued Non — Depreciated Assets

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 18, 21, 23, 24, 27, 32, 33, 36, 38, 39, 40 and HKAS-Int 21 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interest and other disclosures.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS *(continued)*

— HKASs 2, 7, 8, 10, 16, 23, 27, 28, 32, 33, 39, 40 and HKAS-Int 21 had no material effect on the Group's policies

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entities' accounts.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from fixed assets to operating leases. In previous years, owner-occupied leasehold land and buildings were included in fixed assets and measured using the cost model at cost less accumulated depreciation and any impairment losses. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortized over the lease term on a straight-line basis.

The adoption of HKAS 40 has resulted in a change in accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expense in the income statement.

HKAS40 — the Group has adopted the fair value model. The Group has previously disclosed publicly the fair value of investment properties and has restated comparative information, including the reclassification of any amount held in revaluation surplus for investment properties.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS *(continued)*

The adoption of revised HKAS Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st March, 2005, goodwill was:

— Amortised on a straight line basis over a period but not exceeding 20 years; and assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

— The Group ceased amortization of goodwill from 1st April, 2005;

— Accumulated amortization as at 31st March, 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

— From the year ending 31st March, 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

— HKAS 38 — the Group has reassessed the useful lives of its intangible assets in accordance with the provision of HKAS 38. The impairment is made in current year.

— HKAS 39 — does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1st April, 2005.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS *(continued)*

The effects of adoption of revised HKAS 17 are summarized as follows:

	2006	2005
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**25,756**	31,060
Increase in leasehold land and land use right	**25,394**	30,639
(Decrease)/increase in administrative expenses	**(59)**	381
Increase in accumulated losses	**362**	421
Increase/(decrease) in basic earnings per share (HK cents)	**0.0129**	(0.098)

The effects of adoption of revised HKAS 38 are summarized as follows:

	2006	2005
	HK$'000	*HK$'000*
Increase in licence fees payable	**20,413**	23,452
Increase in intangible assets	**21,951**	24,891
Decrease in administrative expenses	**1,534**	537
Increase in finance costs	**1,435**	426
Decrease in accumulated losses	**1,538**	1,439
Increase in basic earnings per share (HK cents)	**0.021**	0.028

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS *(continued)*

The effects of adoption of HKAS Int 21 and HKAS 40 are summarized as follows:

	2006	2005
	HK$'000	*HK$'000*
Decrease in gain on disposal of investment properties	**12,989**	—
Increase in gain on revaluation of investment properties	**—**	12,694
Decrease in investment properties revaluation reserve	**2,176**	15,165
Increase in deferred tax liabilities	**381**	2,653
Decrease in accumulated losses	**1,795**	12,512
(Decrease)/increase in tax expense	**(2,272)**	2,221
(Decrease)/increase in basic earnings per share (HK cents)	**(2.33)**	2.69

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Groups operation and become effective for the Group's accounting periods beginning on or after 1st January, 2006 or later periods but which the Group has not early adopted, as follows:

— HKAS 19 (Amendment), Employee Benefits (effective from 1st January, 2006).

— HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1st January, 2006).

— HKAS 39 (Amendment), The Fair Value Option (effective from 1st January, 2006).

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS *(continued)*

Standards, interpretations and amendments to published standards that are not yet effective (continued)

— HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1st January, 2006).

— HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures (effective from 1st January, 2007).

— HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1st January, 2006).

The Group is in the course of accessing the impact of those new standards on the financial statements for the year ending 31st March, 2007.

2.2 Consolidation

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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the Company's equity holders therein. Minority interest consist of the amount of those interests at the date of the original business combination and the minority's share of the respective entities' changes in equity since the date of the combination. The interests of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

2. Summary of significant accounting policies *(continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2. Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are expensed in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the income statement and depreciation based on the asset's original cost is transferred from fair value reserve to retained earnings.

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated to write off their cost over their expected useful lives to the Group as follows:

		Depreciation rates	Method
—	Buildings	over the lease terms	straight line basis
—	Leasehold improvements	10 — 15% or over the lease terms, whichever is shorter	straight line basis
—	Furniture and fixtures	10 — 15%	reducing balance method
—	Machinery, equipment and tools	10 — 15%	reducing balance method
—	Motor vehicles	10 — 15%	reducing balance method
—	Office and computer equipment	10 — 33%	reducing balance method

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is recognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Lease land and land use right

Lease premium for land are up-front payment to acquire long term interest in lease-occupied properties. The premium is stated at cost less accumulated amortization and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various buildings are situated for a period of 50 years from the date the respective right was granted. Amortization of lease premium for land is calculated on a straight — line basis over the period of the lease.

2. Summary of significant accounting policies *(continued)*

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in the income statement. Rental income from investment properties is accounted for as described in note 2.18(c).

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Summary of significant accounting policies *(continued)*

2.8 Intangible assets *(continued)*

(b) Licences

License rights on branded products are stated at cost, which represent capitalization of the minimum license fees payments in accordance with the license agreements. License rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is made in accordance with the pattern of economic inflow to the Group.

License fees payable are recognized initially at fair value using the effective interest method and subsequently stated at amortised cost less the amounts paid.

(c) 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.

2.9 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. Summary of significant accounting policies *(continued)*

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprises direct materials, shipment costs and subcontracting expenses.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivable

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks.

2. Summary of significant accounting policies *(continued)*

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

2.14 Deferred income tax

Deferred income tax 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 consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of significant accounting policies *(continued)*

2.15 Employee benefits

(a) Pension obligation

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 contribution.

Besides, the Group continues to operate a mandatory provident fund scheme ("the MPF Scheme") under which 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 income statements 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.

(b) Employee leave entitlements

Employee entitlements to annual leave is recognized 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 recognized until the time of leave.

2.16 Provisions

Provisions are recognized 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 the amount has been reliably estimated.

Provisions are not recognized for future operating losses.

2. Summary of significant accounting policies *(continued)*

2.17 Revenue recognition

(a) Sale of goods

Sales of goods are recognized when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(c) Rental income

Rental income is recognized on a straight line basis.

2.18 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings, as appropriate. The interest element of the finance cost is recognized in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

3. Financial risk management

The Group's activities expose to variety of financial risks, foreign exchange risk, credit risk, liquidity risk and cash from interest rate risk.

(a) Foreign exchange risk

Most of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. The Group's export business is mainly to the United States, and its licences business operates in the People's Republic of China and Hong Kong. The Group is exposed to foreign exchange risk with respect to the United States dollars and Renminbi. Management considers that the Group is not significantly exposed to foreign currency risk and no hedging or other alternatives have been implemented.

(b) Liquidity risk

The Group ensures that it maintains sufficient cash and availability of bank facilities for operating cash flow needs and to meet its liquidity requirements.

(c) Cash flow and fair value interest rate risk

The Group's interest bearing assets are principally bank deposits. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is also exposed to changes in interest rates in respect of its bank borrowings. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The Group regularly seeks out the most favorable interest rates available for its bank deposits and bank borrowings.

4. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed.

(a) Impairment of property, plant and equipment, leasehold land and depreciation

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations.

These calculations require the use of judgments and estimates.

(b) Write-downs of inventories

Inventories are written down to net realizable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(c) Intangible assets

The Group has used the pattern of future economic inflow amortisation method to amortise the capitalised minimum annual licence payments.

The calculations require the use of judgement and estimates.

5. Revenue and Segment Information

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

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**135,278**	110,608
Other income		
Income from sample sales	**—**	98
Interest income	**760**	2,151
Rental income	**699**	1,791
Gain on disposal of other investment	**400**	—
Gain on disposal of a subsidiary	**242**	—
Write-back of long outstanding trade payables	**652**	—
Sundry income	**82**	—
	2,835	4,040
Total	**138,113**	114,648

5. Revenue and Segment Information *(continued)*

Primary reporting format — business segments

	Year ended 31st March, 2006 HK$'000		
	Export business	Licensee business	Total
Turnover	73,578	61,700	135,278
Segment operating profit/(loss)	7,233	(1,978)	5,255
Interest income			760
Rental income			699
Unallocated costs			(26,390)
Operating loss			(19,676)
Finance costs			(4,487)
Loss before taxation			(24,163)
Taxation credit			1,734
Loss after taxation			(22,429)
Segment assets	63,247	87,924	151,171
Unallocated assets			6,652
Total assets			157,823
Segment liabilities	24,309	70,300	94,609
Unallocated liabilities			8,646
Total liabilities			103,255
Capital expenditure	443	4,362	4,805
Depreciation	911	1,593	2,504
Amortization of leasehold land	625	—	625
Impairment loss on investment property	470	—	470
Impairment of Goodwill	628	—	628
Amortization of capitalized licence fees	—	2,940	2,940

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

(b) Licensee business represents the retailing distributing and wholesaling of HEAD® and DIADORA products in Greater China Region including Hong Kong and Macau.

5. Revenue and Segment Information *(continued)*

Primary reporting format — business segments *(continued)*

	Year ended 31st March, 2005 *HK$'000* (Restated)		
	Export business	Licensee business	Total
Turnover	100,798	9,810	110,608
Segment operating profit	22,164	734	22,898
Interest income			2,151
Rental income			1,791
Unallocated costs			(11,375)
Operating profit			15,465
Finance costs			(2,707)
Profit before taxation			12,758
Taxation charge			(2,176)
Profit after taxation			10,582
Segment assets	66,552	40,574	107,126
Unallocated assets			29,700
Total assets			136,826
Segment liabilities	19,507	42,786	62,293
Unallocated liabilities			9,929
Total liabilities			72,222
Capital expenditure	15,545	2,585	18,130
Depreciation	1,301	816	2,117
Amortization and impairment loss on trademarks	498	—	498
Reversal of impairment loss on leasehold land and buildings	19,365	—	19,365
Amortization of capitalised licence fees	—	1,354	1,354
Amortization of leasehold land	607	—	607

5. Revenue and Segment Information *(continued)*

Secondary reporting format — geographical segments

	Year ended 31st March, 2006 HK$'000			
	Turnover	**Segment operating profit/(loss)**	**Total assets**	**Capital expenditure**
United States of America	**53,962**	**4,627**	**274**	**—**
Europe	**12,571**	**1,570**	**1,386**	**—**
Canada	**4,000**	**685**	**—**	**—**
Hong Kong	**7,303**	**(1,837)**	**81,984**	**486**
PRC	**55,778**	**(140)**	**74,179**	**4,319**
Others	**1,664**	**350**	**—**	**—**
	135,278	**5,255**	**157,823**	**4,805**
Interest income		**760**		
Rental income		**699**		
Unallocated costs		**(26,390)**		
Operating loss		**(19,676)**		

	Year ended 31st March, 2005 HK$'000 (Restated)			
	Turnover	Segment operating profit/(loss)	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	27,190	101,202	13,833
PRC	5,576	(12,761)	33,115	4,297
Others	301	(168)	723	—
	110,608	22,898	136,826	18,130
Interest income		2,151		
Rental income		1,791		
Unallocated costs		(11,375)		
Operating profit		15,465		

6. Operating (loss)/profit

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Crediting		
Net exchange gain	**310**	324
Charging		
Amortisation of intangible assets	**2,940**	1,522
Amortisation of goodwill	**—**	33
Amortisation of leasehold land	**625**	607
Impairment loss on goodwill	**628**	—
Impairment loss on trademarks	**—**	330
Impairment loss on investment properties	**470**	—
Auditors' remuneration	**879**	801
Depreciation		
— Owned fixed assets	**2,335**	1,918
— Leased fixed assets	**169**	199
Net loss on disposal of fixed assets	**50**	170
Staff costs, including directors' emoluments *(Note 8 & 13)*	**31,672**	22,176

7. Finance cost

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans and overdrafts	**2,993**	2,234
Interest element of finance leases	**40**	46
Other interest	**1,454**	427
Total borrowing costs incurred	**4,487**	2,707

8. Staff costs

	Group	
	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**21,965**	12,717
Retirement benefit costs	**847**	557
Total staff costs, excluding Directors' emoluments	**22,812**	13,274

9. Taxation (credit)/charge

The amount of taxation (credited)/charged to the consolidated income statement represents:

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Hong Kong profits tax		
Current tax	**120**	121
Over provision in previous years	**(53)**	—
Overseas taxation		
Current tax	**—**	20
Over provision in previous years	**(23)**	(203)
Deferred taxation relating to the origination and reversal of temporary differences	**(1,778)**	2,238
Taxation (credit)/charge	**(1,734)**	2,176

(a) Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

(b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

9. Taxation (credit)/charge *(continued)*

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit before taxation	**(24,163)**	12,758
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**(4,229)**	2,233
Effect of different taxation rates in other countries	**4**	113
Income not subject to taxation	**(1,311)**	(3,457)
Expenses not deductible for taxation purposes	**6,765**	1,078
Utilisation of previously unrecognised tax losses	**(313)**	(51)
Unrecognised tax losses	**(1,201)**	2,058
Temporary differences recognized	**(1,899)**	—
Temporary differences not previously recognised	**526**	405
Over provision in previous years	**(76)**	(203)
Taxation (credit)/charge	**(1,734)**	2,176

10. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$13,069,000 (2005: HK$13,492,000).

11. (Loss)/earning per share

Basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2006	2005
(Loss)/profit attributable to equity holders of the Company *(in HK$'000)*	**(20,454)**	11,424
Weighted average number of ordinary shares in issue *(in thousands of shares)*	**459,086**	389,500
Basic (loss)/earnings per share *(HK cents)*	**(4.46)**	2.93

No diluted earnings per share is presented as there is no dilutive potential ordinary share for the years ended 31st March, 2006 and 2005.

12. Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent gross contributions payable by the Group to the retirement scheme of HK$1,001,000 (2005: HK$694,000) less forfeited contributions utilised of HK$217,000 (2005: HK$86,000). Contributions of HK$57,000 (2005: HK$107,000) were payable to the scheme at the year end and are included in current liabilities under accrued charges. As at 31st March, 2006, there were no unutilised forfeited contributions (2005: NIL).

13. 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:

	Fee		Other emolument		Contributions to defined contribution scheme	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Wong Tek Sun, Takson	**—**	—	**4,383**	4,337	**27**	27
Pang Shu Yuk, Adeline Rita	**—**	—	**3,931**	3,931	**27**	27
Tsao Kwang Yung, Peter	**30**	155	**—**	—	**—**	—
Lee Kwok Cheung	**120**	155	**—**	—	**—**	—
Wong Tak Yuen	**240**	240	**—**	—	**—**	—
Chau Tsun Ming, Jimmy	**42**	—	**—**	—	**—**	—
Zheng Jie	**60**	30	**—**	—	**—**	—
Total	**492**	580	**8,314**	8,268	**54**	54

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

The emoluments of the Directors fell within the following bands:

	Number of Directors	
	2006	2005
Emolument bands		
HK$Nil — HK$1,000,000	**4**	3
HK$3,500,001 — HK$4,000,000	**1**	1
HK$4,000,001 — HK$4,500,000	**1**	1
	6	5

13. 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 (2005: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries	**2,447**	1,234
Bonuses	**236**	108
Pensions	**72**	65
	2,755	1,407

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
HK$Nil — HK$1,000,000	**2**	3
HK$1,000,001 — HK$1,500,000	**1**	0
	3	3

14. Intangible assets

	Trademarks and Licences *HK$'000* (Restated)	Goodwill *HK$'000*	Total *HK$'000* (Restated)
At 1st April, 2004			
Cost	8,082	—	8,082
Accumulated amortisation and impairment	(2,787)	—	(2,787)
Net Book Amount	5,295	—	5,295
Year ended 31st March, 2005			
Opening net book amount	5,295	—	5,295
Additions	21,448	661	22,109
Amortisation	(1,522)	(33)	(1,555)
Impairment	(330)	—	(330)
Closing net book amount	24,891	628	25,519
At 1st April, 2005			
Cost	29,530	661	30,191
Accumulated amortisation and impairment	(4,639)	(33)	(4,672)
Net Book Amount	24,891	628	25,519
Year ended 31st March, 2006			
Opening net book amount	**24,891**	**628**	**25,519**
Amortisation	**(2,940)**	**—**	**(2,940)**
Impairment	**—**	**(628)**	**(628)**
Closing net book amount	**21,951**	**—**	**21,951**

15. Property, plant and equipment

	Buildings	Leasehold improvement	Furniture and fixtures	Machinery, equipment and tools	Motor vehicles	Office and computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1st April, 2004							
Cost or valuation	40,583	3,167	5,036	440	3,350	9,423	61,999
Accumulated depreciation	(23,908)	(2,015)	(3,614)	(265)	(1,303)	(7,739)	(38,844)
Net book amount	16,675	1,152	1,422	175	2,047	1,684	23,155
Year ended 31st March, 2005							
Opening net book amount	16,675	1,152	1,422	175	2,047	1,684	23,155
Effect on adoption HKAS 17	(11,133)	—	—	—	—	—	(11,133)
As restated	5,542	1,152	1,422	175	2,047	1,684	12,022
Additions	7,853	1,590	382	182	315	349	10,671
Disposals	—	(170)	—	—	—	—	(170)
Reversal of impairment loss	6,672	—	—	—	—	—	6,672
Depreciation	(353)	(714)	(267)	(35)	(335)	(413)	(2,117)
Closing net book amount	19,714	1,858	1,537	322	2,027	1,620	27,078
As at 31st March, 2005							
Cost or valuation	21,578	4,472	5,418	622	3,664	9,772	45,526
Accumulated depreciation	(1,864)	(2,614)	(3,881)	(300)	(1,637)	(8,152)	(18,448)
Net book amount	19,714	1,858	1,537	322	2,027	1,620	27,078
As at 1st April, 2005							
Cost or valuation	55,895	4,472	5,418	622	3,664	9,772	79,843
Accumulated depreciation	(5,121)	(2,614)	(3,881)	(300)	(1,637)	(8,152)	(21,705)
Net book amount	50,774	1,858	1,537	322	2,027	1,620	58,138
Year ended 31st March, 2006							
Opening net book amount	50,774	1,858	1,537	322	2,027	1,620	58,138
Effect on adoption HKAS 17	(31,060)	—	—	—	—	—	(31,060)
As restated	19,714	1,858	1,537	322	2,027	1,620	27,078
Exchange differences	—	20	18	4	7	5	54
Transfer to investment properties	(685)	—	—	—	—	—	(685)
Revaluation surplus	330	—	—	—	—	—	330
Reversal of impairment loss	26	—	—	—	—	—	26
Additions	—	325	3,155	58	—	1,267	4,805
Disposal	(2,255)	(75)	—	(11)	—	(14)	(2,355)
Depreciation	(400)	(674)	(491)	(37)	(329)	(573)	(2,504)
Closing net book amount	16,730	1,454	4,219	336	1,705	2,305	26,749
At 31st March, 2006							
Cost or valuation	18,582	4,642	8,584	612	3,673	10,779	46,872
Accumulated depreciation	(1,852)	(3,188)	(4,365)	(276)	(1,968)	(8,474)	(20,123)
Net book amount	16,730	1,454	4,219	336	1,705	2,305	26,749

15. Property, plant and equipment *(continued)*

(a) Buildings were pledged to secure general banking facilities for the Group during the year. For details, please refer to note 27 to the accounts.

(b) As at 31st March, 2006, the net book value of motor vehicles includes assets held by the Group under finance leases amounted to HK$958,000 (2005: HK$1,127,000).

16. Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
In Hong Kong held on:		
Leases of between 10 to 50 years		
At 1st April	**—**	—
Effect on adoption HKAS 17	**21,792**	9,601
Reversal of impairment loss	**32**	12,693
Amortisation	**(465)**	(502)
Disposal	**(3,184)**	—
At 31st March	**18,175**	21,792
Outside Hong Kong held on:		
Leases of between 10 to 50 years		
At 1st April	**—**	—
Effect on adoption HKAS 17	**8,847**	1,493
Addition	**—**	7,459
Transfer to investment properties	**(1,468)**	—
Amortisation for the year	**(160)**	(105)
At 31st March	**7,219**	8,847
Total	**25,394**	30,639

Leasehold land and land use rights were pledged to secure generate banking facilities. For details, please refer to note 27 to the accounts.

17. Investment properties

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Beginning of the year	**26,969**	14,275
Transfer from leasehold properties	**2,153**	—
Fair value gains	**294**	12,694
Impairment loss	**(470)**	—
Disposal	**(23,203)**	—
End of the year	**5,743**	26,969

(a) Investment properties were revalued as at 31st March, 2006 on the basis of their open market value by Dudley Surveyors Limited, an independent firm of Chartered Surveyors. The revaluation surplus transferred to the income statement amounted to HK$294,000 (2005 restated: HK$12,694,000).

(b) The investment properties were pledged to secure general banking facilities. For details, please refer to note 27 to the accounts.

(c) On 18th May, 2006, the Group entered into a Sale and Purchase Agreement with a third party independent of the Group, to dispose of an investment property for RMB1,750,000. The impairment loss thereon of approximately HK$470,000 has been recognized in the year ended 31st March, 2006.

18. Investments in subsidiaries

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares/investment at cost	**68,192**	68,192
Amounts due from subsidiaries	**87,400**	74,377
Amount due to a subsidiaries	**(367)**	—
	155,225	142,569
Less: Provision for impairment losses	**(98,608)**	(86,374)
	56,617	56,195

(a) Particulars of the Company's subsidiaries are set out in note 33 to the accounts.

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

(c) Amount due to a subsidiary is unsecured, interest-free and not repayable within next twelve months from the balance sheet date.

(d) On 23rd January, 2006, Takson Garment Manufacturing Company Limited, a wholly-owned subsidiary of the Company, entered into the Equity Interest Transfer Agreement with independent third parties for the transfer of its 55% equity interests in Takson (Suzhou) Garment Manufacturing Co. Limited, for a consideration of HK$3,870,000.

19. Inventories

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**273**	496
Work in progress	**86**	35
Finished goods	**32,286**	5,067
	32,645	5,598

The cost of inventories recognized as expenses and included in cost of sales amounted to approximately HK$92,149,000 (2005: HK$79,556,000).

20. Trade receivables

The ageing analysis of trade receivables was as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current	**8,007**	1,714
1 to 3 months	**4,919**	542
4 to 6 months	**570**	6
Over 6 months	**306**	409
	13,802	2,671
Less: provision for bad and doubtful debts	**(2)**	(320)
	13,800	2,351

(a) The majority of the Group's export 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 to 45 days.

(b) As at 31st March, 2006, no trade receivables were factored to banks. (2005: HK$1,278,000).

21. Trade payables

The ageing analysis of trade payables was as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current	**5,254**	480
1 to 3 months	**5,110**	522
4 to 6 months	**1,777**	328
Over 6 months	**1,343**	1,896
	13,484	3,226

Payment terms with suppliers are on letters of credit and open account. Certain suppliers grant credit periods ranging from 30 to 60 days.

22. Share capital

	Number of shares	Ordinary shares *HK$'000*
Authorized		
At 31st March, 2005 and 31st March, 2006 Ordinary shares of HK$0.1each	1,000,000,000	100,000
Issued and fully paid:		
At 31st March, 2005	389,500,000	38,950
Issues of shares		
— rights issue	77,900,000	7,790
— placement of shares	50,000,000	5,000
At 31st March, 2006	517,400,000	51,740

(a) On 4th April, 2005, a rights issue on the basis of one rights share for every five existing shares held by shareholders on the register of members on 26th April, 2005 was made, at an issue price of HK$0.1 per right shares, resulting in the issue of 77,900,000 shares of HK$0.1 each for a total consideration, before share issue expenses, of approximately HK$7,790,000. The net proceeds of the right issue of approximately HK$7,200,000 have been used as additional working capital and for the business expansion under exiting licence agreements with HEAD® and DIADORA. The shares of right issue rank pari passu in all respects with the existing issued share capital of the Company.

(b) On 6th March, 2006, the Company entered into a placing agreement for the placing of 50,000,000 new shares ("Placing Shares") at a price of HK$0.1 per Placing Share (the "Placement"). The Placing Shares represented 10.70% of the existing issued share capital of the Company. Upon completion of the Placement, the Placing Shares represented approximately 9.66% of the issued share capital of the Company as enlarged by the issue of 50,000,000 placing shares. The net proceeds of the Placement of approximately HK$4.7 million have been used as additional working capital and for the business expansion under existing licence agreements with HEAD® and DIADORA. The Placing Shares rank pari passu in all respects with the existing issued share capital of the Company.

23. Reserves

(a) Group

	Share premium HK$'000	Buildings revaluation HK$'000	Investment properties revaluation HK$'000	Consolidation reserve HK$'000	Translation HK$'000	Accumulated losses HK$'000	Total
Balance at 1st April, 2004, as previously reported	42,032	—	2,471	2,214	8	(35,100)	11,625
Adjustments on adoption of							
— HKSA 40	—	—	(2,471)	—	—	2,471	—
— HKSA 17	—	—	—	—	—	(40)	(40)
— HKSA 38	—	—	—	—	—	1,329	1,329
Deferred taxation arising from the opening adjustments	—	—	—	—	—	(658)	(658)
Balance at 1st April, 2004, as restated	42,032	—	—	2,214	8	(31,998)	12,256
Surplus on revaluation	—	—	12,694	—	—	—	12,694
Adjustments on adoption of HKAS 40	—	—	(12,694)	—	—	—	(12,694)
Exchange difference arising on translation of the accounts of overseas subsidiaries	—	—	—	—	(1)	—	(1)
Profit for the year	—	—	—	—	—	11,424	11,424
Balance at 31st March, 2005	42,032	—	—	2,214	7	(20,574)	23,679
Balance at 31st March, 2005, as per above	42,032	—	—	2,214	7	(20,574)	23,679
Balance at 1st April, 2005, as restated	42,032	—	—	2,214	7	(20,574)	23,679
Surplus on revaluation	—	330	—	—	—	—	330
Rights issue cost	(640)	—	—	—	—	—	(640)
Exchange difference arising on translation of the accounts of overseas subsidiaries	—	—	—	—	(87)	—	(87)
Loss for the year	—	—	—	—	—	(20,454)	(20,454)
Balance at 31st March, 2006	41,392	330	—	2,214	(80)	(41,028)	2,828

23. Reserves *(continued)*

(b) Company

	Share Premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1st April, 2004, as previously reported	42,032	67,992	(78,532)	31,492
Loss for the year	—	—	(13,492)	(13,492)
Balance at 31st March 2005	42,032	67,992	(92,024)	18,000
Balance at 1st April, 2005, as per above	42,032	67,992	(92,024)	18,000
Rights issue cost	(640)	—		(640)
Loss for the year	—	—	(13,069)	(13,069)
Balance at 31st March, 2006	41,392	67,992	(105,093)	4,291

(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 shareholders, 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, 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 pursuant to the exchange of shares on group reorganisation.

24. Notes to the Consolidated Cash Flow Statement

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

	Group	
	2006	2005 Restated
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(24,163)**	12,758
Amortisation of capital licence payment	**2,940**	1,353
Amortisation of advanced lease payment	**625**	607
Amortisation of trademarks	**—**	168
Amortisation of goodwill	**—**	33
Provision for impairment loss on trademarks	**—**	330
Depreciation of owned fixed assets	**2,335**	1,918
Depreciation of fixed assets held under finance leases	**169**	199
Impairment loss on goodwill	**628**	—
Cost of placement	**187**	—
Loss on disposal of fixed assets	**50**	170
Gain on disposal of a subsidiary	**(242)**	—
Gain on disposal of properties	**(4,214)**	—
Gain on disposal of other investment	**(400)**	—
Revaluation gain on investment properties	**(294)**	(12,694)
Reversal of impairment loss on leasehold land and buildings	**(58)**	(19,365)
Provision for long service payments	**—**	(383)
Impairment loss on investment properties	**470**	—
Interest income	**(760)**	(2,151)
Interest on bank loans and overdrafts	**2,993**	2,234
Interest element of finance leases	**40**	46
Operating loss before working capital changes	**(19,694)**	(14,777)
Increase in inventories	**(27,047)**	(2,158)
Increase in trade, other receivables, prepayments and deposits	**(22,125)**	(2,605)
Increase in trade and other payables	**13,231**	593
	(55,635)	(18,947)

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

(b) Analysis of changes in financing during the year

	Share capital including share premium		**Group trust receipts and others bank loans**		**Finance lease**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1st April, 2005	**80,982**	80,982	**34,058**	17,567	**679**	1,005
Cash inflow/(outflow) from financing	**12,150**	—	**20,785**	16,491	**(355)**	(326)
At 31st March, 2006	**93,132**	80,982	**54,843**	34,058	**324**	679

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Cash and cash equivalents	**7,457**	10,328

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

(d) Disposal of subsidiary

	Group	
	2006	2005
	HK$'000	*HK$'000*
Net asset disposed of		
Property, plant and equipment	**2,166**	—
Inventory	**82**	—
Accounts and other receivable	**544**	—
Cash and bank balances	**1,530**	—
Accounts and other payable	**(636)**	—
	3,686	—
Exchange reserve upon disposal	**(58)**	—
Gain on disposal	**242**	—
	3,870	—
Satisfied by:		
Cash consideration	**3,870**	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2006	2005
	HK$'000	*HK$'000*
Cash consideration	**3,870**	—
Cash and bank bank balance disposed of	**(1,530)**	—
Net inflow of cash and cash equivalents in respect of disposal of a subsidiary	**2,340**	—

25. Long-term liabilities

At 31st March, 2006, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Bank loans — secured	**8,644**	11,734
Obligation under finance leases	**324**	679
Licence fee payable	**20,413**	23,452
Post employment benefits	**263**	263
	29,644	36,128
Less: Current portion of long term liabilities	**(5,391)**	(5,959)
	24,253	30,169

(a) At 31st March, 2006, the Group's bank loans are repayable as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**426**	2,564
In the second year	**464**	1,873
In the third to fifth year inclusive	**7,754**	7,297
	8,644	11,734

The effective interest rates at the balance sheet date were as follows:

		2006			2005	
	HK$	***US$***	***RMB***	*HK$*	*US$*	*RMB*
Bank borrowings	**5.8%**	**—**	**5.8%**	4.5%	—	5.8%
Trust receipt	**—**	**6.1%**	**—**	—	4.6%	—

25. Long-term liabilities *(continued)*

(b) At 31st March, 2006, the Group's finance lease liabilities are repayable as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**261**	355
In the second year	**63**	324
In the third to fifth year inclusive	**—**	—
	324	679

(c) At 31st March, 2006, the Group's licence fee payable are repayable as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**4,704**	3,040
In the second year	**4,454**	4,704
In the third to fifth year inclusive	**11,255**	15,708
	20,413	23,452

26. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%) for the 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.

26. Deferred taxation *(continued)*

The movement on the deferred tax liabilities and assets are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
Deferred tax (liabilities)		
At the beginning of the year	**(3,395)**	(672)
Deferred taxation credited/(charged) to income statement due to the change in accounting policy	**1,899**	(2,832)
Deferred taxation credited to income statement	**253**	109
At the end of the year	**(1,243)**	(3,395)
Deferred tax assets		
At the beginning of the year	**448**	621
Deferred taxation credited to income statement	**(374)**	(173)
At the end of the year	**74**	448

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$73,618,000 (2005: HK$53,288,000) to carry forward against future taxable income. The tax losses have no expiry date.

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the unmerited earnings of a subsidiary.

27. Banking facilities

As at 31st March, 2006, the Group's banking facilities amounting to approximately HK$75,666,000 (2005: HK$186,051,000) were secured by the following:

(a) first legal charge over investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of approximately HK$46,117,000 (2005: approximately HK$75,618,000);

(b) bank time deposit of HK$10,665,000 (2005: Nil); and

(c) corporate guarantees from the Company and certain of its subsidiaries.

28. Contingent liabilities

The Group had a no material contingent liabilities as at 31st March, 2006 and 2005.

The Company has executed guarantees with respect to banking facilities mark available to its subsidiaries. Such facilities utilized as at 31st March, 2006 amounted to HK$56,301,000 (2005: HK$ 35,451,000)

29. Commitments

(a) Capital commitments

As at 31st March, 2006, the Group had the following capital commitments which are contracted but not provided for:

	2006	2005
	HK$'000	*HK$'000*
Investment in PRC subsidiary	**1,560**	—
Investment in a joint venture	**—**	3,350
Investment in fixed assets	**—**	896
	1,560	4,246

The Company had no material capital commitments as at 31st March, 2006 and 31st March, 2005.

29. Commitments *(continued)*

(b) Commitments under operating leases

(i) At 31st March, 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**937**	2,827
Later than one year and not later than five years	**—**	4,105
	937	6,932

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, 2006, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**110**	1,244
Later than one year and not later than five years	**—**	110
	110	1,354

30. Related-party transactions

Parties are considered to be related to the Group if the Group or any member of its key management personnel or their close family members has the ability, directly or indirectly, to exercise significant influence over the parties in making financial and operating decision, or vice versa, or where the Group and the parties are subject to common significant influence. Related parties may be individuals or entities.

(a) Key management compensation

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**11,530**	10,309

(b) Director's loan

This represents an unsecured and interest-free loan advance by Mr. Wong Tek Sun, Takson, a director of the Company. The director has confirmed that the balance is unsecured, interest-free and will not be demanded for repayment until the Group is in a position to do so. However, the Group have projected that it will be in position to repay the loan in full in the next two years.

Subsequent to the balance sheet date, Mr. Wong Tek Sun, Takson made further unsecured and interest-free loans of totally HK$8,100,000 to the Group. These loans have no fixed repayment term.

30. Related-party transactions *(continued)*

(c) Transactions

The following is a summary of significant related party transactions, which were carried out in the normal course of the Group's business:

	2006 HK$'000	2005 HK$'000
Takson Holding Limited dealing with:		
Takson Properties Limited		
Consultancy fee income	**360**	—
Takson Garment Manufacturing Company Limited		
Management fee income	**10,080**	3,013
Takson Garment Manufacturing (Malaysia) Ltd.		
Management fee income	**—**	7,427
Sales of Global Sportswear Inc dealing with:		
Shanghai Heide International Trading Co Limited	**12,950**	—
Sales of Shanghai Global Sporting Goods Company Limited dealing with:		
Global Sportswear Inc	**90**	1,563
Wuhan Hande Sport-wear Company Limited	**1,496**	2,111
Suzhou Fan Shing International Limited	**7,838**	—
Heide Sporting Goods (Shanghai) Co Limited	**3,112**	—
Sales of Fan Shing International Company Limited dealing with:		
Suzhou Fan Shing International Limited	**402**	—
Heide Sporting Goods (Shanghai) Co Limited	**1,017**	—
Purchases of Fan Shing International Company Limited dealing with:		
Suzhou Fan Shing International Limited	**313**	—
Takson Down Manufacturing Inc. dealing with:		
Takson Garment Manufacturing Company Limited		
Management fee paid	**1,364**	2,136
Purchases	**3,128**	5,167
Takson Garment Manufacturing Company Limited dealing with:		
Takson (Suzhou) Garment Manufacturing Company Limited		
Subcontracting expenses	**4,440**	—
Takson Garment Manufacturing (Malaysia) Limited		
Management fee paid	**—**	3,035
Takson Properties Limited dealing with		
Takson Garment Manufacturing Company Limited		
Management fee paid	**360**	120
Rental income	**906**	1,043

31. Subsequent events

Save as disclosed in the notes 17 and 30(b) to the accounts, there are no other significant subsequent events.

32. Comparative amounts

As explained in note 2 to the accounts, due to the adoption of the new HKFRSs during the year, certain comparative figures have been restated to conform with the current year's presentation

33. Particulars of Subsidiaries

The subsidiaries of the Company at 31st March, 2006 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 selling of sporting apparel, footwear and accessories	1 ordinary share of US$1	100%
Takson (B.V.I.) Limited	BVI	Investment Holding	1,000 ordinary shares of US$1 each	100%
Union Sports Limited	Hong Kong	General trading	1 ordinary share of HK$1 each	100%

33. Particulars of Principal 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				
Powderhorn Establishment	Liechtenstein	Holding of trademarks	Swiss Franc 30,000	100%
*Shanghai Global Sporting Goods Co, Ltd.	PRC	Manufacturing and sale of garments	Registered capital of US$400,000	100%
*Heide Sporting Goods (Shanghai) Co Limited	PRC	Distributing and storing of sporting products	Registered capital of US$200,000	100%
*Suzhou Fan Shing International Limited	PRC	Distributing and storing of sporting products	Registered capital of US$65,000	100%
*Shanghai Diadora International Trading Company Limited	PRC	Distributing and storing of sporting products	Registered capital of US$200,000	100%
*Unison Sports (Shanghai) Co Limited	PRC	Not yet commence business	Registered capital of US$200,00	100%
Global Sports Limited	Hong Kong	General trading	1 ordinary share of HK$1 each	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%

33. Particulars of Principal 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 Provision of manufacturing and accounting service to fellow subsidiaries	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%
Fan Shing International Company Limited	Hong Kong	Sourcing, subcontracting and selling of sporting apparel, footwear and accessories	500 ordinary shares of HK$1,000 each	100%
^Wuhan Hande Sportswear Co. Ltd.	PRC	Sales of sportswear	Registered capital of RMB$6,000,000	75.5%

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

34. Ultimate holding Company

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