



TAKSON HOLDINGS LIMITED
第一德勝控股有限公司
STOCK CODE : 918



CONTENTS

- 3 Corporate Information**
- 4 Chairman's Statement**
- 9 Report of the Directors**
- 22 Corporate Governance Report**
- 32 Independent Auditor's Report**
- 35 Consolidated Income Statement**
- 36 Consolidated Balance Sheet**

TAKSON HOLDINGS LIMITED

- 38 Balance Sheet**
- 39 Consolidated Statement of Changes in Equity**
- 40 Consolidated Cash Flow Statement**
- 41 Notes to the Financial Statements**
- 96 Five-Year Financial Summary**
- 97 Investment Properties**
- 98 Notice of Annual General Meeting**

CORPORATE INFORMATION

Directors

Executive Directors:

Mr. Wong Tek Sun, Takson
Ms. Pang Shu Yuk, Adeline Rita

Non-executive Director:

Mr. Wong Tak Yuen

Independent Non-executive Directors:

Mr. Lee Kwok Cheung
Mr. Cunningham, James Patrick
Mr. Chau Tsun Ming, Jimmy

Company Secretary

Mr. Tong Yat Chong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

Room 512-513
5th Floor, South Wing
Harbour Centre, Tower One
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

Auditor

Cheng & Cheng Limited
Certified Public Accountants
10th Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Principal Bankers

Standard Chartered Bank
Bank of China (Hong Kong) Limited

Solicitors

Bermuda:

Conyers Dill & Pearman

Hong Kong:

Woo, Kwan, Lee & Lo

Share Registrars and Transfer Offices

Bermuda:

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong:

Tricor Abacus Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Code

0918

CHAIRMAN'S STATEMENT

Group Results

During the year ended 31st March, 2008 (the "Financial Year"), the Group discontinued its licensee business and focused on its traditional core export business. The Group recorded a turnover of approximately HK\$90.7 million from its export business, representing an increase of 58% as compared to approximately HK\$57.5 million recorded last year. Gross profit margin achieved from export business was 10.9%, compared to 20.6% in last year. Turnover achieved for licensee business in the year under review was HK\$27.1 million compared with HK\$ 80.6 million recorded last year and gross profit margin remained stable at approximately 24% for both years. The loss attributable to equity holders of the Company amounted to HK\$46.1 million, compared to HK\$35.8 million in last year.

Business Overview

The Group has two main business segments: the Export Business and the Licensee Business.

Export Business

The Group has been focusing on its business strategy to develop and expand the Export Business starting from the previous year. Turnover for the Financial Year increased by 58% to HK\$90.7 million (2007: HK\$57.5 million) and the gross profit margin achieved was approximately 10.9% (2007: 20.6%). The gross profit margin decreased from that of the financial year ended 31st March, 2007 was mainly due to a surge in sub-contracting cost as a result of gradual appreciation in RMB during the year and the receipt of bulk orders from certain past customers with lower profit margins to re-establish business ties with them.

Moving forward, the Group will continue to focus on this traditional core business by soliciting orders from new and past customers and try to achieve a higher gross profit margin in the coming years.

Licensee Business

For the Licensee Business, the Group had negotiated an early termination of the license with "Diadora" and a termination and release agreement was signed with DIADORA S.P.A., the owner and proprietor of the "Diadora" trademark, in April 2008.

CHAIRMAN'S STATEMENT

For Diadora, the Group had invested substantially in the past few years to establish the brand in the People's Republic of China (the "PRC") market with more than 300 Diadora's brand-owned shops opened in the PRC and Hong Kong and operated by the Group or the Group's business partners. However, the investment return did not quite meet the expectation of the Group and it was envisaged that further investment of substantial sum in advertising, distribution network, inventory and logistic support would be required to make the business competitive in the market. After careful consideration of the Group's resources and brand owner's expectations, the Directors entered into negotiation with the brand owner to effect an early termination of the license agreement in late 2007. Two agreements to terminate the license and to dispose of the remaining inventories on hand was respectively reached with the brand owner in April 2008 and announced by the Board.

Financial Review

During the Financial Year, the Group has recorded a turnover of approximately HK\$117.9 million as compared to HK\$138.1 million last year, representing a decrease of approximately 14.7%. The turnover for the Export Business was approximately HK\$90.7 million (2007: HK\$57.5 million) while the turnover for the Licensee Business was approximately HK\$27.1 million (2007: HK\$80.6 million). The increase in turnover of the Export Business is a result of the refocusing of the Group towards this line of business. On the other hand, the significant decrease in the turnover of the Licensee Business was mainly due to the suspension of the Licensee Business towards the end of 2007.

The gross profit margin of the Export Business was approximately 10.9% (2007: 20.6%) while the gross profit margin of the licensee business was approximately 24.7% (2007: 23.9%). The decrease in the gross profit margin of the Export Business was mainly due to a surge in sub-contracting cost as a result of gradual appreciation in RMB during the year and the receipt of bulk orders from certain past customers with lower profit margins to re-establish business ties with them.

Loss for the year increased mainly due to the cessation of the licensee business and the related write-off of fixed assets and accounts receivables in connection with the licensee business.

CHAIRMAN'S STATEMENT

Prospects

Export Business

The Group will continue to focus on export business and expand its customer base and diversify the product varieties beyond outerwear so that a more balanced product mix will be achieved in the forthcoming years. The Group has been soliciting orders from customers of up end market and expects that it can achieve a higher profit margin from diversification of its customer base. Although the market is faced with many challenges, the Board is cautiously optimistic that with an extensive customer network and the management's expertise and reputation in this field, the Group will steer on a right track of recovery in the future.

Liquidity and Financial Resources

The Group generally finances its operations by its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash outflow from operations amounted to approximately HK\$20.5 million for the Financial Year (2007: HK\$7.5 million).

As at 31st March 2008, the Group's net borrowings comprised bank loans, obligations under finance leases and loans from a director who is a shareholder of the Company, the aggregate amount of which was approximately HK\$77.7 million (2007: HK\$65.3 million). Among the total outstanding amounts of bank loans and obligations under finance leases and loans from a director as at 31st March, 2008, 37% (2007: 63%) is repayable within the next year, 51% (2007: 22%) is repayable within the second year and the remaining 12% (2007: 15%) repayable in the third to fifth year. The Group's bank loans are subject to floating interest rates while obligations under finance leases are subject to fixed interest rates.

The ratio of current assets to current liabilities of the Group was 0.49 as at 31st March, 2008 compared to 0.77 as at 31st March, 2007. The Group's gearing ratio as at 31st March, 2008 was 1.18 (2007: 0.83) which is calculated based on the Group's total liabilities of HK\$104.8 million (2007: HK\$112.1 million) and the Group's total assets of HK\$88.3 million (2007: HK\$133.9 million). As at 31st March, 2008, the Group's total cash and bank balances amounted to HK\$2.1 million compared to HK\$8.7 million as at 31st March, 2007. The cash and bank balances

CHAIRMAN'S STATEMENT

together with the available banking facilities and the financial support from a director who is a shareholder of the Company can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risks being minimised through balancing the monetary assets versus monetary liabilities, and foreign currency revenue versus foreign currency expenditure. The Group maintained a balanced match of Renminbi financing in its PRC projects where cash flows were denominated in that currency to mitigate currency risk. The Group did not use any financial instrument to hedge against foreign currency risk.

Charge of Assets

As at 31st March, 2008, the investment properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$58.9 million (2007: HK\$46.7 million) were pledged as first legal charge for the Group's banking facilities.

Contingent Liabilities and Litigation

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. As at 31st March, 2008, the facilities utilised amounted to HK\$40.8 million (2007: HK\$40.5 million).

In February 2007, the Company initiated a legal action to claim the landlord of the Directors' quarters for damages and return of deposit as a result of wrongful repudiation of the tenancy agreement, which is quantified at HK\$604,000 plus general damages and additional rent, rates and management fee to be assessed. The landlord commenced a separate legal action to counter-claim the Company in the amount of approximately HK\$705,000, being the outstanding and unpaid rent for the remainder of the term of the tenancy agreement as reduced by the rental earned by the landlord from re-letting the premises, plus losses, damages, repair costs and re-instatement expenses to be assessed.

CHAIRMAN'S STATEMENT

As the legal proceedings are still ongoing and the outcome is uncertain, the Directors are of the opinion that the amount of obligations (if any) cannot be ascertained at this stage and, accordingly, no provision for such liability has been made as at 31st March, 2008.

Except for the foregoing, as at 31st March, 2008, the Group had no other significant contingent liabilities or pending litigation.

Employees

As of 31st March, 2008, the Group had a total of 64 employees (2007: 144 employees). The decrease in the number of employees was due to the suspension and subsequent termination of the licensee business towards the end of the Financial Year. During the Financial Year, total staff costs (including directors' remuneration) amounted to approximately HK\$24.4 million (2007: HK\$28.6 million).

The Group remunerates its employees (including Directors) primarily with reference to industry practices, including contributory provident funds, insurance and medical benefits. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Group has also adopted a discretionary bonus scheme for management and staff with awards which are determined annually based upon the performance of the Group and individual employees. As at 31st March, 2008, the Group had an aggregate of 19,500,000 share options issued to its Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

Appreciation

On behalf of the Board, I would like to thank our business partners and shareholders for their continued support and to express my appreciation to all managers and employees for their dedication.

Wong Tek Sun, Takson

Chairman

Hong Kong, 25th July, 2008

REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) submit their report together with the audited accounts for the year ended 31st March, 2008 (the “Financial Year”).

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products.

An analysis of the Group’s results, assets and liabilities by business and geographical segments is set out in note 5 to the financial statements.

Major Customers and Suppliers

The percentages of sales and purchases for the Financial Year attributable to the Group’s major customers and suppliers are as follows:

	2008	2007
	%	%
Sales		
— The largest customer	44	25
— Five largest customers combined	76	48
Purchases		
— The largest supplier	26	24
— Five largest suppliers combined	72	71

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company’s issued share capital) had an interest in the major customers or suppliers as mentioned above.

Analysis of the Group’s Performance

An analysis of the Group’s performance is shown in the Chairman’s Statement on pages 4 to 8.

REPORT OF THE DIRECTORS

Results and Appropriations

The results of the Group for the Financial Year are set out in the consolidated income statement on page 35.

The Directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2008 (2007: Nil).

Reserves

Movements in the reserves of the Group and of the Company during the Financial Year are set out in note 25 to the financial statements.

Statement of Changes in Equity

The consolidated statement of changes in equity of the Group during the Financial Year is shown on page 39.

Donations

The Group did not make any charitable and other donations during the Financial Year (2007: HK\$Nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

Investment Properties

Details of the investment properties held by the Group are set out on page 97.

Share Capital

Details of the movements in the share capital of the Company are set out in note 24 to the financial statements.

REPORT OF THE DIRECTORS

Distributable Reserves

The Company had no distributable reserves as at 31st March, 2008 (2007: Nil).

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 96.

Purchase, Sale or Redemption of Shares

The Company had not redeemed any of its shares during the Financial Year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the Financial Year.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31st March, 2008 are set out in note 35 to the financial statements.

Analysis of Bank Loans and Other Borrowings

The Group's bank loans and other borrowings as at 31st March, 2008 were repayable over the following periods:

	Trust receipts and other bank loans	Other borrowings
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	28,545	123
In the second year	897	132
In the third to fifth year inclusive	9,035	267
	<hr/>	<hr/>
	38,477	522
	<hr/>	<hr/>

Details of a loan from a Director in the amount of HK\$38,736,000 are set out in note 33(b) to the financial statements.

REPORT OF THE DIRECTORS

Directors

The Directors during the Financial Year and up to the date of this report are as follows:

Mr. Wong Tek Sun, Takson (*Chairman*)

Ms. Pang Shu Yuk, Adeline Rita

Mr. Wong Tak Yuen*

Mr. Lee Kwok Cheung**

Mr. Chau Tsun Ming, Jimmy**

Mr. Cunningham, James Patrick** (*appointed on 8th May, 2007*)

Mr. Zheng Jie** (*resigned on 8th May, 2007*)

* *non-executive director*

** *independent non-executive directors*

All the Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Bye-law 87 of the Company's Bye-laws.

In accordance with the Company's Bye-laws, Mr. Wong Tak Yuen and Mr. Lee Kwok Cheung will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Directors' Service Contracts

Each of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita has entered into a service contract with the Company which is determinable within one year without payment of compensation other than statutory compensation. Apart from the aforesaid, none of the Directors, including the Directors proposed for re-election at the forthcoming annual general meeting of the Company, has entered into any service contract with the Company.

Details of the Directors' emoluments are set out in note 9(a) to the financial statements.

REPORT OF THE DIRECTORS

Connected Transactions

Details of a loan from a Director are set out in note 33(b) to the financial statements. The loan from the Director constitutes a connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules"). As the loan is on normal commercial terms where no security over the assets of the Company is granted in respect of such loan, the transaction is exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

Except for the foregoing, no connected transaction discloseable under the Listing Rules has been entered into by the Group during the Financial Year.

Contract of Significance

There was no contract of significance subsisting during or at the end of the Financial Year in which a Director is or was materially interested, either directly or indirectly.

Directors and Senior Management

Biographical details of Directors and senior management of the Group are set out as below:

Executive Directors

Mr. Wong Tek Sun, Takson, aged 57, is the Chairman and Chief Executive Officer of the Group. He received his tertiary education in the PRC before he co-founded the Group in 1972. He has over 30 years' experience and in-depth knowledge of marketing in the US and European markets and of the manufacturing of outerwear garments in the PRC and Hong Kong. He is responsible for corporate planning and strategy formulation, sales and marketing and overall management of the Group. Mr. Wong is also the director of 10 subsidiaries of the Group. Mr. Wong is the spouse of Ms. Pang Shu Yuk, Adeline Rita. As at the date hereof, Mr. Wong is deemed to be interested in 300,541,600 shares in the Company according to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

REPORT OF THE DIRECTORS

Directors and Senior Management *(continued)*

Executive Directors *(continued)*

Ms. Pang Shu Yuk, Adeline Rita, aged 49, is the Deputy Chairman and Chief Operations Officer of the Group and is responsible for overseeing merchandising, production planning and control, and various operational and administrative matters of the Group. She holds a higher diploma in fashion and clothing technology from Hong Kong Polytechnic University. She joined the Group in 1983 and is the spouse of Mr. Wong Tek Sun, Takson. Ms. Pang is also the director of 9 subsidiaries of the Group. As at the date hereof, Ms. Pang is deemed to be interested in 300,541,600 shares in the Company according to Part XV of the SFO.

Non-Executive Director

Mr. Wong Tak Yuen, aged 52, has extensive experience in the PRC market for more than 20 years. He is a brother of Mr. Wong Tek Sun, Takson. He was appointed as a non-executive director of the Company in January, 2003.

Independent Non-executive Directors

Mr. Lee Kwok Cheung, aged 59, was appointed as an independent non-executive director of the Company in September 1997. Mr. Lee is a director of Management Capital Limited, a company engaged in the business of direct investment and financial advisory. Mr. Lee was the chief executive of Giordano Holdings Limited during the period between 1991 and 1993 and Polytec Holdings Limited, a company engaged in the business of textile and real estate, during the period between 1994 and 1995. Mr. Lee has also over eleven years of experience in banking.

Mr. Chau Tsun Ming, Jimmy, aged 35, was appointed as an independent non-executive director of the Company in July 2005. Mr. Chau is the Chief Financial Officer and Chief Operation Officer of 6688.com, an e-commerce and m-commerce service provider based in Beijing, China. He holds a Bachelor of Commerce degree from University of Toronto, Canada, and is a member of the American Institute of Certified Public Accountants. Before becoming an entrepreneur, Mr. Chau had worked for five years in the Listing Division of Hong Kong Exchanges and Clearing Limited.

REPORT OF THE DIRECTORS

Directors and Senior Management *(continued)*

Independent Non-executive Directors *(continued)*

Mr. Cunningham, James Patrick, aged 54, was appointed as an independent non-executive director of the Company in May 2007. Mr. Cunningham is currently an independent non-executive director of Pico Far East Holdings Limited, a company listed on the Main Board of the Stock Exchange. He obtained a Bachelor of Science degree in Business Administration from Adelphi University in Garden City, New York. He worked over for 25 years in the apparel industry in the United States of America and Asia and has been the Senior Vice President and Corporate Officer of Gap Inc. for 14 years. He is now a private investor and also acts as a business advisor to both private and listed companies in the retail and apparel sourcing sectors.

Senior Management

Mr. Tong Yat Chong, aged 51, joined the Group in 2008 and is the Chief Financial Officer and Company Secretary of the Company. Mr. Tong is responsible for the Group's overall financial and company secretarial matters. Mr Tong holds a Master of Business Administration degree from a university in the United Kingdom. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Prior to joining the Group, he had more than 25 years' of experience in auditing, accounting and financial matters in various commercial and industrial sectors.

Ms. Li Yuk Fong, Kerly, aged 50, joined the Group in 1990 and is the Operation Control Manager of the Group. She holds an international diploma in computer studies from NCC The National Centre for Information Technology in the United Kingdom and a diploma in management studies awarded jointly by Hong Kong Polytechnic University and Hong Kong Management Association. She is an associate member of the Hong Kong Institute of Human Resource Management. Prior to joining the Group, she had worked in the systems and control field for more than 4 years.

Ms. Xun Yu Ping, aged 36, joined the Group in 1994 and is our General Manager of Administration in the PRC. She graduated from the East China Normal University. She has held various senior administrative positions in the Group.

REPORT OF THE DIRECTORS

Directors' Interests in Contracts

Except for the Directors' service contracts as mentioned above, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the Financial Year.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 31st March, 2008, the interests and long positions of each Director, Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions

Name of director	Number of ordinary shares in the Company beneficially held				Percentage of holding
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Wong Tek Sun, Takson	4,621,600	10,800,000	285,120,000 (Note)	300,541,600	58.1%
Ms. Pang Shu Yuk, Adeline Rita	10,800,000	4,621,600	285,120,000 (Note)	300,541,600	58.1%

REPORT OF THE DIRECTORS

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations *(continued)*

Note:

Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. ("WII") as trustee of the Wangkin Investments Unit Trust (the "Unit Trust"). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the "Family Trust"). The discretionary beneficiaries of the Family Trust are, inter alia, Ms. Pang Shu Yuk, Adeline Rita and the children of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, namely, Mr. Wong Chi Wang, Calvin and Mr. Wong Chi Kin, Christopher.

Mr. Wong Tek Sun, Takson, being an executive Director of the Company, owns 50% of the issued share capital of WII and he, as one of the founders of the Family Trust, the husband of Ms. Pang Shu Yuk, Adeline Rita and the father of Mr. Wong Chi Kin, Christopher who is under the age of 18, is deemed to have interests in 285,120,000 shares held by Takson International Holdings Limited in the issued share capital of the Company under the SFO.

Ms. Pang Shu Yuk, Adeline Rita, being an executive Director of the Company, owns 50% of the issued share capital of WII and she, as one of the discretionary beneficiaries of the Family Trust and the mother of Mr. Wong Chi Kin, Christopher who is under the age of 18, is deemed to have interests in the 285,120,000 shares held by Takson International Holdings Limited in the issued share capital of the Company under the SFO.

Save as disclosed above, as at 31st March, 2008, none of the Directors and Chief Executives of the Company (including their spouse and children under 18 years of age) had any other interests or long positions in the shares or underlying shares in, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31st March, 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of substantial shareholders	Capacity	Number of ordinary shares beneficially held	Percentage of holding
Wangkin Investments Inc. (Note)	Interest of a controlled corporation	285,120,000	55.1%
Takson International Holdings Limited (Note)	Beneficial owner	285,120,000	55.1%

Note: Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc., which in turn is owned as to 50% by Mr. Wong Tek Sun, Takson, and as to 50% by Ms. Pang Shu Yuk, Adeline Rita, both of whom being the executive Directors of the Company.

Save as disclosed above, as at 31st March, 2008, no other person was recorded in the register of substantial shareholders maintained under Section 336 of Part XV of the SFO as having an interest or short positions in 5% or more of the issued share capital of the Company.

REPORT OF THE DIRECTORS

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 24(c) to the consolidated financial statements.

During the year, movements in the number of options which have been granted to certain directors, employees and others under the Company's share option scheme are as follows:

	Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Forfeited during year	Outstanding at end of year
Executive Directors						
Mr. Wong Tek Sun, Takson	2007 Lot 1	2,000,000	—	—	—	2,000,000
	2007 Lot 2	2,000,000	—	—	—	2,000,000
	2008 Lot 1	—	1,170,000	—	—	1,170,000
Ms. Pang Shu Yuk, Adeline Rita	2007 Lot 1	2,000,000	—	—	—	2,000,000
	2007 Lot 2	2,000,000	—	—	—	2,000,000
	2008 Lot 1	—	1,170,000	—	—	1,170,000
		<u>8,000,000</u>	<u>2,340,000</u>	<u>—</u>	<u>—</u>	<u>10,340,000</u>
Employees	2007 Lot 1	10,770,000	—	—	(6,610,000)	4,160,000
	2007 Lot 2	4,500,000	—	—	(4,500,000)	—
		<u>15,270,000</u>	<u>—</u>	<u>—</u>	<u>(11,110,000)</u>	<u>4,160,000</u>
Others	2008 Lot 2	—	5,000,000	—	—	5,000,000
		<u>23,270,000</u>	<u>7,340,000</u>	<u>—</u>	<u>(11,110,000)</u>	<u>19,500,000</u>

Apart from the aforesaid, at no time during the Financial Year was the Company or any of its subsidiary a party to any arrangement to enable the Directors and Chief Executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

Compliance with the Code on Corporate Governance Practices

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Financial Year, except for the deviations from Code Provisions A.2.1 and A.4.1. Details of such compliance are set out in the Corporate Governance Report on pages 22 to 31.

Audit Committee

The written terms of reference which describe the authority and duties of Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit and the internal controls and risk evaluation. Currently, the Audit Committee comprises two independent non-executive Directors, namely, Mr. Lee Kwok Cheung and Mr. Chau Tsun Ming, Jimmy, and a non-executive Director, Mr. Wong Tak Yuen. Five meetings were held during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

Management Contracts

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Financial Year.

REPORT OF THE DIRECTORS

Confirmation of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors, namely Mr. Lee Kwok Cheung, Mr. Chau Tsun Ming, Jimmy and Mr. Cunningham, James Patrick, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the Financial Year.

Auditor

The accounts have been audited by Cheng & Cheng Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Wong Tek Sun, Takson

Chairman

Hong Kong, 25th July, 2008

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board of Directors of the Company (the "Board") is committed to maintaining good corporate governance practices. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31st March, 2008 (the "Financial Year"), except for the deviations discussed below. The Company believes that by achieving high standard of corporate governance, the corporate value and accountability of the Company can be enhanced and the shareholders' interests can be maximised. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure compliance. Meetings were held from time to time and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to enhance their awareness of good corporate governance practices and keep them abreast of the latest development of the Listing Rules and other regulatory requirements.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer of the Company should be separated and should not be performed by the same individual.

The Company has deviated from the Code provision A.2.1 and the roles of the Chairman and the Chief Executive Officer of the Company are now performed by the same person. Mr. Wong Tek Sun, Takson now assumes the roles of both the Chairman and Chief Executive Officer of the Company. The Board intends to maintain this structure for the time being as it believes that this structure can provide the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategies.

One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board always acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer *(continued)*

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the composition of the Board which comprises experienced independent non-executive Directors and experienced management team. The Board will also evaluate the existing structure from time to time.

Directors' Securities Transactions

Code provision A.5.4 stipulates that directors must comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and, in addition, the Board should establish written guidelines for relevant employees in respect of their dealings in the securities of the Company.

The Company has adopted a code of conduct (the "Company's Code") regarding directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code. None of the Directors is aware of any information that would indicate that the Company or any of its Directors is not or was not in compliance with the Model Code and the Company's Code. Upon specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code and the Company's Code for the Financial Year. The Company's Code also applies to other specified senior management of the Group, including those as set out in the paragraph headed of Directors and Senior Management in the Report of Directors on pages 9 to 21.

CORPORATE GOVERNANCE REPORT

The Board of Directors

The Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:

Mr. Wong Tek Sun, Takson (*Chairman*)
Ms. Pang Shu Yuk, Adeline Rita

Non-executive Director:

Mr. Wong Tak Yuen

Independent non-executive Directors:

Mr. Lee Kwok Cheung
Mr. Chau Tsun Ming, Jimmy
Mr. Cunningham, James Patrick (*appointed on 8th May, 2007*)
Mr. Zheng Jie (*resigned on 8th May, 2007*)

One of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. Biographical details of the Directors and the relationships among the current members of the Board are set out in the paragraph headed of Directors and Senior Management in the Report of the Directors on pages 9 to 21.

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and are subject to re-election.

The Company has deviated from the Code provision A.4.1. The non-executive Directors (including independent non-executive Directors) are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting pursuant to Bye-law 87 of the Company's Bye-laws.

The Board believes that, despite the absence of specified term of non-executive Directors, the Directors are committed to representing the long-term interests of the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The independent non-executive Directors are professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their participation in Board meetings could bring independent judgement on issues relating to the Group's strategy, internal control, performance, conflicts of interest and management process to ensure the interests of the shareholders are taken into account. The Board considers each of the independent non-executive Directors to be independent and that they all meet the independence criteria as set out under Rule 3.13 of the Listing Rules.

Responsibilities of Directors and Management

The Board is responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate capital and managerial resources to implement the business strategies adopted, adequacy of systems of financial and internal controls and conduct of business in conformity with applicable laws and regulations. All Directors have made full and active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group.

The executive Directors and the senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments. Senior management is responsible for the day-to-day operations of the Group with divisional heads responsible for different aspects of the Group's business.

The Board is also responsible for the preparation of the financial statements. The Company has adopted the generally accepted accounting standards in Hong Kong in preparing the financial statements, appropriate accounting policies have been adopted and applied consistently, and reasonable and prudent judgement and estimates have been made. The publication of the financial statements of the Group is also in a timely manner.

CORPORATE GOVERNANCE REPORT

Board Meeting

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the Financial Year, nine meetings have been held by the Board and the attendance of each of the Directors is as follows:

	Number of Board Meetings attended	Attendance rate
Executive Directors		
Mr. Wong Tek Sun, Takson (<i>Chairman</i>)	9/9	100%
Ms. Pang Shu Yuk, Adeline Rita	7/9	78%
Independent non-executive Directors		
Mr. Lee Kwok Cheung	7/9	78%
Mr. Chau Tsun Ming, Jimmy	7/9	78%
Mr. Cunningham, James Patrick	7/9	78%
Mr. Zheng Jie	0/1 (<i>Note 1</i>)	0%
Non-executive Director		
Mr. Wong Tak Yuen	3/9	33%

Mr. Wong Tek Sun, Takson is the spouse of Ms. Pang Shu Yuk, Adeline Rita and the brother of Mr. Wong Tak Yuen.

Note 1:

Mr. Zheng Jie resigned on 8 May 2007 and only 1 board meeting was held before his resignation.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was responsible for overseeing the audit process and reviewing the effectiveness of both financial reporting process, internal control and risk management systems of the Company. The Audit Committee has reviewed the interim results of the Company for the six months ended 30th September, 2007 and the annual consolidated results of the Company for the Financial Year. The Audit Committee also carried out and discharged its other duties as set out in the Code. The Audit Committee comprises of two independent non-executive Directors and one non-executive Director:

- Mr. Lee Kwok Cheung (*Chairman of the Audit Committee*)
- Mr. Chau Tsun Ming, Jimmy
- Mr. Wong Tak Yuen

During the Financial Year, five meetings have been held by the Audit Committee and the attendance of each of the committee members at the Audit Committee meeting is set out as follows:

Directors	Number of meetings attended	Attendance rate
Mr. Lee Kwok Cheung	5/5	100%
Mr. Chau Tsun Ming, Jimmy	5/5	100%
Mr. Wong Tak Yuen	0/5	0%

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors and one executive Director:

- Mr. Chau Tsun Ming, Jimmy (*Chairman of the Remuneration Committee*)
- Mr. Lee Kwok Cheung
- Mr. Wong Tek Sun, Takson

CORPORATE GOVERNANCE REPORT

Remuneration Committee *(continued)*

The objectives of the Remuneration Committee are to determine and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and key executives to operate the Company successfully. The Remuneration Committee also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies. The Remuneration Committee is provided with other resources to enable it to fully discharge its duties. A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board and the contents of which are in compliance with the code provisions of the Code.

During the Financial Year, one Remuneration Committee meeting has been held and the attendance of each of the members of the Remuneration Committee is as follows:

Directors	Number of meeting attended	Attendance rate
Mr. Chau Tsun Ming, Jimmy	1/1	100%
Mr. Wong Tek Sun, Takson	1/1	100%
Mr. Lee Kwok Cheung	1/1	100%

The Remuneration Committee had considered the remuneration of the non-executive Directors and made recommendation to the Board.

Nomination Committee

Code provision A.4.4 stipulates that the Company should establish a nomination committee with specific written terms of reference.

On 10th October, 2006, the Board formed the Nomination Committee. It comprises two independent non-executive Directors and one executive Director:

- Mr. Zheng Jie (*Chairman of the Nomination Committee — resigned on 8th May, 2007*)
- Mr. Cunningham, James Patrick (*Chairman of the Nomination Committee — appointed on 8th May, 2007*)
- Mr. Lee Kwok Cheung
- Mr. Wong Tek Sun, Takson

CORPORATE GOVERNANCE REPORT

Nomination Committee *(continued)*

The objectives of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Nomination Committee should identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals eligible for nomination of directorships, assess the independence of independent non-executive Directors, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. A new Director will be informed of the role of the Board and his/her duties and obligation of being a director of a listed company.

The number of the Nomination Committee meetings held during the Financial Year for resolving the existing composition of all the committees and the Board to be in compliance with the Listing Rules in Hong Kong and the attendance of each of the Directors is as follows:

Directors	Number of meeting attended	Attendance rate
Mr. Zheng Jie	1/1	100%
Mr. Wong Tek Sun, Takson	1/1	100%
Mr. Lee Kwok Cheung	1/1	100%

Auditor's Remuneration

For the Financial Year, the remuneration of the Group's auditor for the provision of statutory audit and non-audit services in respect of interim results and tax advisory was HK\$450,000 and HK\$50,000 respectively.

CORPORATE GOVERNANCE REPORT

Accountability

Being accountable for the proper stewardship of the Group's affairs, the Directors acknowledge their responsibility for ensuring that proper accounting records are kept and relevant financial statements, as in the Annual Report and the Interim Report, are prepared to give a true and fair view of the state of affairs of the Group for each of the financial periods.

In preparing the accounts for the Financial Year, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants
- selected and applied consistently the appropriate accounting policies
- made judgements and estimates that are prudent and reasonable
- prepared the accounts on the going concern basis

The management of the individual businesses within the Group provides the Board with such information and explanations necessary to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The statement by the auditor of the Company about their reporting responsibilities are set out on page 32 of this report.

CORPORATE GOVERNANCE REPORT

Internal Control

The Board acknowledges its responsibility for the integrity of the Group's financial information and the effectiveness of the Group's system of internal controls and risk management processes. Accordingly, the Board established a clear organisational structure with appropriate delegation of responsibility to satisfy changing business needs while managing risks that are critical to the achievement of business objectives.

While the Audit Committee conducts continuous review on the adequacy and effectiveness of existing internal controls on behalf of the Board, the day-to-day responsibility for the conduct of these control procedures, the on-going monitoring of risks and the effectiveness of the corresponding internal controls rest with the management of each business units.

The Board hereby confirms that there is a process for identifying, evaluating and managing the significant risks that are critical to the achievement of the Groups' strategic objectives. The Board communicates on a regular basis with the Audit Committee on risk exposure. During the Financial Year, the Board has reviewed the effectiveness of the system of internal control of the Company and its subsidiaries.

INDEPENDENT AUDITOR'S REPORT



CHENG & CHENG LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

鄭鄭會計師事務所有限公司

10th Floor, Allied Kajima

Building 138 Gloucester

Road Wanchai Hong Kong

TO THE SHAREHOLDERS OF TAKSON HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Takson Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 95, which comprise the consolidated and company balance sheets as at 31st March, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibility *(continued)*

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31st March, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$46,106,000 during the year ended 31st March, 2008 and, as at that date, the Group's current liabilities exceeded its current assets by approximately HK\$26,448,000. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of uncertainty which may cast doubt about the Group's ability to continue as a going concern.

As described in Note 2.1 to the consolidated financial statements, the Directors are taking steps to improve the Group's liquidity and financial performance, including the issuance of new shares and by terminating a losing line of business. It also includes obtaining financial support from a director who is a shareholder of the Group.

Cheng & Cheng Limited

Certified Public Accountants

Y.Y. Li, Alice

Practising Certificate number P03373

Hong Kong, 25th July, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
Continuing operations			
Turnover	5	90,717	57,460
Cost of sales	6	<u>(80,831)</u>	<u>(45,638)</u>
Gross profit		9,886	11,822
Other income	5	5,199	7,927
Selling, distribution and marketing expenses	6	(5,843)	(4,534)
Administrative expenses	6	<u>(28,137)</u>	<u>(32,424)</u>
Operating loss		(18,895)	(17,209)
Finance costs	7	<u>(3,941)</u>	<u>(3,418)</u>
Loss before taxation		(22,836)	(20,627)
Income tax expense	10	<u>(17)</u>	<u>(318)</u>
Loss for the year from continuing operations		(22,853)	(20,945)
Discontinued operations			
Loss for the year from discontinued operations	11	<u>(23,253)</u>	<u>(14,882)</u>
		<u>(46,106)</u>	<u>(35,827)</u>
Attributable to:			
Equity holders of the Company		<u>(46,106)</u>	<u>(35,827)</u>
Loss per share for loss attributable to the equity holders of the Company			
From continuing and discontinued operations — basic (HK cents)	13	<u>(8.91)</u>	<u>(6.92)</u>
From continuing operations — basic (HK cents)	13	<u>(4.42)</u>	<u>(4.05)</u>

CONSOLIDATED BALANCE SHEET

As at 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Licensing rights	15	—	17,341
Property, plant and equipment	16	8,683	22,482
Leasehold land and land use rights	17	10,732	13,652
Investment properties	18	43,720	22,253
		<u>63,135</u>	<u>75,728</u>
Current assets			
Licensing rights	15	12,002	—
Inventories	20	7,358	14,693
Trade receivables	21	914	18,864
Deposits, prepayments and other receivables		2,868	5,322
Pledged bank deposit	22	—	10,521
Cash at bank and in hand	22	2,066	8,741
		<u>25,208</u>	<u>58,141</u>
Total assets		<u>88,343</u>	<u>133,869</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	24	51,740	51,740
Reserves	25	(68,171)	(29,949)
Total equity		<u>(16,431)</u>	<u>21,791</u>

CONSOLIDATED BALANCE SHEET

As at 31st March, 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	27	10,331	10,785
Long-term liabilities	28	263	11,517
Deferred tax liabilities	29	3,788	898
Loans from a director	33(b)	38,736	13,600
		<hr/> 53,118 <hr/>	36,800
Current liabilities			
Trade payables	23	1,306	14,581
Other payables and accrued charges		8,680	14,286
Taxation payable		1,000	1,000
Bank borrowings	27	28,668	40,957
Current portion of long-term liabilities	28	12,002	4,454
		<hr/> 51,656 <hr/>	75,278
Total liabilities		<hr/> 104,774 <hr/>	112,078
Total equity and liabilities		<hr/> 88,343 <hr/>	133,869
Net current liabilities		<hr/> (26,448) <hr/>	(17,137)
Total assets less current liabilities		<hr/> 36,687 <hr/>	58,591

Mr. Wong Tek Sun, Takson
Chairman

Ms. Pang Shu Yuk, Adeline Rita
Director

BALANCE SHEET

As at 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	<u>1,954</u>	33,312
Current assets			
Other receivables		515	755
Cash at bank and in hand	22	<u>45</u>	15
		<u>560</u>	770
Total assets		<u>2,514</u>	34,082
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	24	51,740	51,740
Reserves	25	<u>(49,803)</u>	(18,770)
Total equity		<u>1,937</u>	32,970
LIABILITIES			
Current liabilities			
Other payables and accrued charges		<u>577</u>	1,112
Total liabilities		<u>577</u>	1,112
Total equity and liabilities		<u>2,514</u>	34,082
Net current liabilities		<u>(17)</u>	(342)
Total assets less current liabilities		<u>1,937</u>	32,970

Mr. Wong Tek Sun, Takson
Chairman

Ms. Pang Shu Yuk, Adeline Rita
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2008

	Attributable to equity holders of the Company		
	Share capital <i>HK\$000</i>	Reserves <i>HK\$000</i>	Total <i>HK\$000</i>
Balance at 1st April, 2006	51,740	2,828	54,568
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	(360)	(360)
Surplus on revaluation of properties	—	2,695	2,695
Net income recognised directly in equity	—	2,335	2,335
Loss for the year	—	(35,827)	(35,827)
Total recognised loss for the year ended 31st March, 2007	—	(33,492)	(33,492)
Share-based compensation	—	715	715
Balance at 31st March, 2007	51,740	(29,949)	21,791
Balance at 1st April, 2007	51,740	(29,949)	21,791
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	(238)	(238)
Surplus on revaluation of properties	—	6,264	6,264
Net income recognised directly in equity	—	6,026	6,026
Loss for the year	—	(46,106)	(46,106)
Total recognised loss for the year end 31st March, 2008	—	(40,080)	(40,080)
Share-based compensation	—	1,858	1,858
Balance at 31st March, 2008	51,740	(68,171)	(16,431)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
Cash flows from operating activities			
Net cash outflow from operations	26(a)	(20,515)	(7,524)
Hong Kong profits tax paid		—	(176)
		<hr/>	<hr/>
Net cash outflow from operating activities		(20,515)	(7,700)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Investing activities			
Proceeds from disposal of investment properties		—	6,403
Proceeds from disposal of property, plant and equipment		339	58
Proceeds from disposal of intangible assets		—	3,880
Purchases of property, plant and equipment		(2,075)	(4,864)
Interest received		154	535
		<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities		(1,582)	6,012
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Financing activities			
Director's loans granted		25,136	11,100
Bank loans granted		94,833	82,285
Repayment of bank loans		(108,914)	(87,076)
Repayment of obligations under finance leases		(140)	(261)
Release of pledged bank deposit		10,521	144
Interest paid		(6,408)	(3,465)
Interest element of finance lease obligations		(27)	(33)
		<hr/>	<hr/>
Net cash inflow from financing activities		15,001	2,694
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents		(7,096)	1,006
Cash and cash equivalents at the beginning of the year		8,741	7,457
Effects of exchange rate changes, net		421	278
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	26(b)	2,066	8,741
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

1. General information

Takson Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products.

The Company is a limited liability company incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited. The address of its principal place of business is Room 512-513, 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

These consolidated financial statements are presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25th July, 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and buildings.

The Group incurred a loss of approximately HK\$46,106,000 for the year ended 31st March, 2008 (2007: HK\$35,827,000) and had net current liabilities of approximately HK\$26,448,000 as at 31st March, 2008 (2007: HK\$17,137,000). The directors are taking steps to improve the Group's liquidity and financial performance. Subsequent to the balance sheet date, a director and substantial shareholder of the Company, has capitalised part of his loan to the Group in the sum of HK\$36 million. As a result, the capital base of the Company was strengthened by the said amount and the Group would achieve annual savings of approximately HK\$1.8 million in interest at the current applicable interest rate. Other steps include active cost-saving and other measures to improve the Group's operating cash flows and financial position and obtaining the financial support from a director who is a shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.1 Basis of preparation *(continued)*

The directors have given careful consideration to the Group's financial performance and liquidity position. On the basis that the Group's operating results and cash flows will be improved through the implementation of the measures described above and having considered the Group's current operation and business plan as well as the currently available banking facilities and support from a director mentioned above, the directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

New standards, amendments to existing standards and interpretations:

(a) Effect of adopting new HKFRS

During the year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for the current financial year. The adoption of these new HKFRSs had no material effect on how the results for the current or prior accounting years have been prepared and presented.

The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting years. As a result, no prior year adjustment is required.

However, the adoption of "HKFRS 7 Financial Instruments: Disclosure" and "Amendment to HKAS 1, Presentation of financial statements: Capital disclosure" resulted in much more extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information has been restated to achieve a consistent presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.1 Basis of preparation *(continued)*

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

The following new standards, amendments and interpretations of HKFRS have been issued but are not effective for the year ended 31st March, 2008 and have not been early adopted:

- HKAS 1 (Revised), "Presentation of financial statements" (effective from 1st January, 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRS. The Group will apply HKAS 1 (Revised) from 1st April, 2009;
- HKAS 23 (Amendment), "Borrowing costs" (effective from 1st January, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1st April, 2009;
- HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from annual period beginning on or after 1st July, 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st April, 2010;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.1 Basis of preparation *(continued)*

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

- HKAS 32 and HKAS 1 (Amendments), “Puttable financial instruments and obligations arising on liquidation” (effective from annual period beginning on or after 1st July, 2009). It is not expected to have any impact on the Group’s financial statements;
- HKFRS 2 Amendment, “Share-based payment vesting conditions and cancellations” (effective from 1st January, 2009). The amendment clarifies the definition of “vesting conditions” and specifies the accounting treatment of “cancellations” by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All “non-vesting conditions” and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1st April, 2009, but it is not expected to have any significant impact on the Group’s financial statements;
- HKFRS 3 (Revised), “Business combinations” (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are “capable of being conducted” rather than “are conducted and managed”. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRS. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st April, 2010;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.1 Basis of preparation *(continued)*

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

- HKFRS 8, “Operating segments” (effective from 1st January, 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, “Disclosures about segments of an enterprise and related information”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st April, 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker;
- HK(IFRIC) - Int 12, “Service concession arrangements” (effective from 1st January, 2008). HK(IFRIC) - Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) - Int 12 is not relevant to the Group’s operations because none of the Group’s companies provide for public sector services;
- HK(IFRIC) - Int 13, “Customer loyalty programmes” (effective from 1st July, 2008). HK(IFRIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC) - Int 13 from 1st April, 2009, but it is not expected to have any significant impact on the Group’s financial statements; and
- HK(IFRIC) - Int 14, “HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective from 1st January, 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1st April, 2008, but it is not expected to have any significant impact on the Group’s financial statements;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up for the year ended 31st March, 2008.

Subsidiaries

Subsidiaries are 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 the entity.

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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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 Company'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 recognised in the income statement.

(c) Group companies

The results and financial position of the group entities 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
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses except for buildings which are stated at revalued carrying amount. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 year in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve; all other decreases are expensed in the income statement.

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

	Depreciation rates	Method
— Buildings	over the lease terms	straight-line
— Leasehold improvements	10 — 15% or over the lease terms, whichever is shorter	straight-line
— Furniture and fixtures	10 — 20%	reducing balance
— Machinery, equipment and tools	10 — 18%	reducing balance
— Motor vehicles	10 — 18%	reducing balance
— Office and computer equipment	10 — 33%	reducing balance

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. When revalued assets are sold, the valuation surplus included in reserves is transferred to retained earnings/accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.6 Leasehold land and land use rights

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 amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various buildings are situated. Amortisation of lease premium for land is calculated on a straight-line basis over the period of the lease.

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 Group, is classified as investment property.

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

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. These valuations are performed by external valuers at least annually. Fair value is based on market prices, as adjusted (if necessary) for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the income statement during the period in which they are incurred.

Changes in fair values are recognised in the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.7 Investment properties *(continued)*

If an item of property, plant and equipment and/or leasehold land and land use rights becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. 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.

(b) *Licensing rights*

Licensing rights on branded products are stated at cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured at the fair value of the consideration given to acquire the license upon inception. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the licensing rights.

Licensing rights are amortised over the license period on the basis that reflects the pattern in which the license's future economic benefits are expected to be consumed by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.9 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but 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 recognised 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).

2.10 Inventories

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

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

2.11 Trade and other receivables

Trade and other receivables are recognised 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. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Borrowings

Borrowings are recognised 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.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.16 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 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 realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries, 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.

2.17 Employee benefits

(a) Pension obligation

The Group continues to operate an occupational retirement scheme (a defined contribution plan) 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 operates a mandatory provident fund scheme (the "MPF Scheme"; a defined contribution plan) under which the Group and its employees 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.17 Employee benefits *(continued)*

(a) Pension obligation *(continued)*

Employees of the Group in the PRC participate in retirement benefit plans and the Group is required to make monthly contributions at rates ranging from 21% to 23% of the employee's basic salary.

Contributions for the above schemes are recognised as employee benefit expenses when they are due.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service 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.

(c) Share-based compensation

The Group operates a share options scheme, being an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share options under the share option scheme is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumption about the number of share options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognizes the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share options are exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.18 Provisions and contingent liabilities

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 resource will be required to settle the obligation; and the amount has been reliably estimated. Provision are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating the sales within the Group.

The Group recognizes revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sales have been resolved.

(a) Sale of goods

Sales of goods are recognised when the Group 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 recognised on a time-proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.19 Revenue recognition *(continued)*

(c) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the lease periods. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.20 Borrowing costs

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. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.21 Leases (as the lessee)

(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 liabilities, net of finance charges, are included in current and non-current borrowings, as appropriate. The interest element of the finance cost is recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.22 Contingent liabilities and contingent assets

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 an outflow of economic resources will be required to the amount of obligation cannot be measured reliably.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

3. Financial risk management

The Group's activities expose to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Majority of the Group's assets and liabilities were denominated in Renminbi, United States dollars and Hong Kong dollars. The Group was exposed to foreign exchange risk with respect to United States dollars and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. After the discontinued operation on the Licensee Business, the Group reduces its exposure to the currency risk due to the major business transactions settling in United States dollars. The management closely monitors the foreign currency assets and liabilities to minimize the currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. Financial risk management (continued)

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, loans and banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of change in cash flow needs.

The Directors have given careful consideration on the measures currently undertaken by the Group in respect of the Group's liquidity position. As detailed in note 2, the Directors believe that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

(c) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank balances and bank borrowings. Bank balances and borrowings that are subject to fixed rates expose the Group to fair value interest rate risk. It has not hedged its cash flow and fair value interest rate risk. 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 borrowings.

The following table indicates the approximate change in the loss after tax in response to reasonably possible changes in interest rate to which the Group has significant exposure at the balance sheet date. In determining the effect on loss after tax on the next accounting year, management of the Company assumed that the change in interest rate had occurred at the balance sheet date and all other variables remain constant. There is no change in the methods and assumptions used in 2008 and 2007.

	Group	
	2008	2007
	Effect on loss after tax	Effect on loss after tax
	HK\$'000	HK\$'000
HIBOR		
Increase by 100 basis point	772	653
Decrease by 100 basis point	(772)	(653)

(d) Credit risk

The Group is exposed to concentrations of credit risk. To minimize the risk, the Group regularly reviews the credit terms and credit limits granted to individual customers. There are policies in place to ensure that sales are made to customers with satisfactory credit record.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

4. Critical accounting estimates and judgements

Estimates and judgements 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 below.

(a) Impairment of intangible assets, property, plant and equipment and leasehold land and land use rights

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carry value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to recognize an impairment charge in the income statement.

(b) Write-downs of inventories

Inventories are written down to net realizable value based on an assessment of the realizability of inventories. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories in the periods in which such estimate has been changed.

(c) Amortisation of licensing rights

The Group amortised its licensing rights on the basis that reflects the pattern in which the license's future economic benefits were expected to be consumed by the Group.

This calculation requires the use of judgements and estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

4. Critical accounting estimates and judgements *(continued)*

(d) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the share option and the number of share options that are expected to become exercisable. When the outcome of the number of share options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

(e) Income tax provision

The Group is subject to income taxes in Hong Kong and certain overseas jurisdictions. Significant judgement is required in determining income tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(f) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions occurred since the date of the relevant transactions; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and, where possible, from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

5. Revenue and Segment Information

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products. Revenue recognised during the year is as follows:

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
Sales of goods	90,717	57,460	27,139	80,645	117,856	138,105
Other income						
Income from sample sales	25	166	—	—	25	166
Interest income	154	535	—	—	154	535
Rental income	1,141	135	—	—	1,141	135
Profit on disposal of investment properties	—	660	—	—	—	660
Gain on revaluation of investment properties	3,522	2,118	—	—	3,522	2,118
Write-back of trade payables	—	358	—	—	—	358
Proceeds from disposal of intangible assets	—	3,880	—	—	—	3,880
Sundry income	357	75	1,854	150	2,211	225
	5,199	7,927	1,854	150	7,053	8,077

The Group operates mainly in Hong Kong and the PRC and in the following business segments:

- Export (Continuing) — sales of outerwear garments to overseas customers.
- Licensee (Discontinued) — retailing and distribution of DIADORA sportswear products in the PRC and Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

5. Revenue and Segment Information *(continued)*

Primary reporting format — business segments

	2008		Total HK\$'000
	Export business (Continuing operations) HK\$'000	Licensee business (Discontinued operations) HK\$'000	
Turnover	90,717	27,139	117,856
Segment operating loss	(3,904)	(20,759)	(24,663)
Interest income			154
Unallocated income			4,504
Unallocated corporate expenses			(19,649)
Operating loss			(39,654)
Finance costs	(3,941)	(2,494)	(6,435)
Loss before taxation			(46,089)
Income tax expense			(17)
Loss after taxation			(46,106)
Segment assets	30,497	19,655	50,152
Unallocated assets			38,191
Total assets			88,343
Segment liabilities	69,296	32,256	101,552
Unallocated liabilities			3,222
Total liabilities			104,774
Capital expenditure	830	1,245	2,075
Depreciation of property, plant and equipment	(914)	(1,526)	(2,440)
Amortisation of leasehold land and land use rights	(263)	—	(263)
Gain on revaluation of investment properties	3,522	—	3,522
Amortisation of licensing rights	—	(5,475)	(5,475)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

5. Revenue and Segment Information *(continued)*

Primary reporting format — business segments *(continued)*

	2007		Total HK\$'000
	Export business (Continuing operations) HK\$'000	Licensee business (Discontinued operations) HK\$'000	
Turnover	57,460	80,645	138,105
Segment operating profit/(loss)	2,081	(19,061)	(16,980)
Interest income			535
Unallocated income			6,876
Unallocated corporate expenses			(20,876)
Operating loss			(30,445)
Finance costs	(3,418)	(1,646)	(5,064)
Loss before taxation			(35,509)
Taxation charge			(318)
Loss after taxation			(35,827)
Segment assets	30,413	71,917	102,330
Unallocated assets			31,539
Total assets			133,869
Segment liabilities	31,109	65,358	96,467
Unallocated liabilities			15,611
Total liabilities			112,078
Capital expenditure	872	3,992	4,864
Depreciation of property, plant and equipment	(1,332)	(1,644)	(2,976)
Amortisation of leasehold land and land use rights	(295)	(160)	(455)
Gain on revaluation of investment properties	2,118	—	2,118
Amortisation of licensing rights	—	(4,610)	(4,610)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

5. Revenue and Segment Information *(continued)*

Secondary reporting format — geographical segments

	2008		
	Turnover <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Hong Kong	1,123	47,161	830
The PRC	26,017	40,262	1,245
United States of America	71,923	125	—
Europe	7,040	172	—
Canada	10,741	7	—
Australia	957	—	—
Others	55	616	—
	117,856	88,343	2,075
	2007		
	Turnover <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Hong Kong	7,878	57,482	872
The PRC	72,767	76,387	3,992
United States of America	41,479	—	—
Europe	10,831	—	—
Canada	3,879	—	—
Australia	1,040	—	—
Others	231	—	—
	138,105	133,869	4,864

Revenue is allocated based on the country in which the customers are located. Assets and capital expenditure are allocated based on where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. Expenses by nature

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cost of inventories sold	80,831	45,638	20,431	61,358	101,262	106,996
Amortisation of licensing rights	—	—	5,475	4,610	5,475	4,610
Amortisation of leasehold land use rights	343	455	—	—	343	455
Auditor's remuneration	586	974	109	86	695	1,060
Bad debts written off	4	301	6,318	620	6,322	921
Depreciation						
Owned property, plant and machinery	1,076	1,543	1,359	1,328	2,435	2,871
Leased property, plant and machinery	84	105	—	—	84	105
Net exchange loss	137	727	1	74	138	801
Net loss on disposal of property, plant and equipment	883	875	6,585	—	7,468	875
Operating lease rentals in respect of land and buildings	1,664	1,142	117	—	1,781	1,142
Staff costs, including directors' emoluments	20,985	20,093	3,439	8,461	24,424	28,554
Other general and administrative expenses	8,218	10,743	5,918	17,494	14,136	28,237
	114,811	82,596	49,752	94,031	164,563	176,627

7. Finance costs

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest on bank loans	2,328	3,250	944	215	3,272	3,465
Interest element of finance lease obligations	27	33	—	—	27	33
Other interest expense — unwinding of discount	—	135	1,550	1,431	1,550	1,566
Interest on director's loan	1,586	—	—	—	1,586	—
	3,941	3,418	2,494	1,646	6,435	5,064

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. Staff costs

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	18,226	18,060	2,793	7,604	21,019	25,664
Severance payments	168	484	307	459	475	943
Share-based compensation	1,858	715	—	—	1,858	715
Retirement benefit costs	733	834	339	398	1,072	1,232
	20,985	20,093	3,439	8,461	24,424	28,554

9. Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31st March, 2008 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Bonus HK\$'000	Other benefits HK\$'000	Contributions to defined	Total HK\$'000
					contribution scheme HK\$'000	
Wong Tek Sun, Takson	—	3,025	—	2,136	27	5,188
Pang Shu Yuk, Adeline Rita	—	1,382	—	3,171	27	4,580
Lee Kwok Cheung	120	—	—	—	—	120
Wong Tak Yuen	240	—	—	—	—	240
Chau Tsun Ming, Jimmy	114	—	—	—	—	114
Cunningham, James Patrick	108	—	—	—	—	108
Zheng Jie	6	—	—	—	—	6
Total	588	4,407	—	5,307	54	10,356

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

9. Directors' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

The remuneration of each director of the Company for the year ended 31st March, 2007 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Bonus HK\$'000	Other benefits HK\$'000	Contributions to defined contribution scheme HK\$'000	Total HK\$'000
Wong Tek Sun, Takson	—	3,025	—	1,322	27	4,374
Pang Shu Yuk, Adeline Rita	—	3,825	106	114	27	4,072
Lee Kwok Cheung	120	—	—	—	—	120
Wong Tak Yuen	240	—	—	—	—	240
Chau Tsun Ming, Jimmy	60	—	—	—	—	60
Zheng Jie	60	—	—	—	—	60
Total	480	6,850	106	1,436	54	8,926

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) individuals during the year are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other benefits	1,391	1,782
Pensions	55	56
	1,446	1,838

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

9. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2008	2007
HK\$Nil — HK\$1,000,000	3	3

10. Income tax expense

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

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong profits tax						
Current tax	—	—	—	—	—	—
Under-provision in previous years	—	161	—	—	—	161
Overseas taxation						
Current tax	17	1,000	—	—	17	1,000
Deferred taxation relating to the origination and reversal of temporary differences	—	(843)	—	—	—	(843)
Income tax expense	17	318	—	—	17	318

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong during the year (2007: HK\$Nil).
- (b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

10. Income tax expense (continued)

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Loss before taxation		
— Continuing operations	(22,836)	(20,627)
— Discontinued operations	(23,253)	(14,882)
	(46,089)	(35,509)
Tax at Hong Kong profits tax rate of 17.5% (2007: 17.5%)	(8,066)	(6,214)
Effect of different taxation rates in other countries	(2,136)	(1,542)
Income not subject to taxation	(943)	(757)
Expenses not deductible for taxation purposes	2,673	1,379
Utilisation of previously unrecognised tax losses	(66)	(1,667)
Unrecognised tax losses	8,585	8,958
Temporary differences not previously recognised	(30)	—
Under-provision in previous years	—	161
Taxation charge	17	318

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

11. Discontinued operations

In late December 2007, the Group began negotiation with the DIADORA S.P.A., the owner and proprietor of the "Diadora" trademark, the early termination of the license with "Diadora". An agreement was reached with the brand owner in early April 2008 for the early termination of the said license. For the purpose of preparing the Group's financial statements, the licensee business was classified as discontinued in accordance with HKFRS 5.

The sales, results and cash flows of the discontinued operations were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Discontinued operations		
Turnover	27,139	80,645
Cost of sales	<u>(20,431)</u>	<u>(61,358)</u>
Gross profit	6,708	19,287
Other income	1,854	150
Net operating expenses	<u>(29,321)</u>	<u>(32,673)</u>
Operating loss	(20,759)	(13,236)
Finance costs	<u>(2,494)</u>	<u>(1,646)</u>
Loss before taxation	(23,253)	(14,882)
Income tax expense	<u>—</u>	<u>—</u>
Loss for the year from discontinued operations	<u>(23,253)</u>	<u>(14,882)</u>
Cash flows from discontinued operations		
Operating cash flows	1,942	22,093
Investing cash flows	(5,948)	6,425
Financing cash flows	8,352	(25,303)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

12. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$32,891,000 (2007: HK\$23,776,000).

13. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Loss attributable to the equity holders of the Company from continuing and discontinued operations (<i>HK\$'000</i>)	46,106	35,827
Loss attributable to the equity holders of the Company from continuing operations (<i>HK\$'000</i>)	22,853	20,945
Weighted average number of ordinary shares in issue (<i>thousands</i>)	517,400	517,400
Basic loss per share from continuing operations and discontinued operations (<i>HK cents per share</i>)	8.91	6.92
Basic loss per share from continuing operations (<i>HK cents per share</i>)	4.42	4.05

No diluted loss per share is presented as the outstanding share options were anti-dilutive.

14. 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\$1,189,000 (2007: HK\$1,424,000) less forfeited contributions utilised of HK\$117,000 (2007: HK\$192,000). Contributions of HK\$106,000 (2007: HK\$132,000) were payable to the scheme at the year end and are included in current liabilities within accrued charges. As at 31st March, 2008, there were no unutilised forfeited contributions (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

15. Licensing rights

	<i>HK\$'000</i>
At 1st April, 2006	
Cost	29,530
Accumulated amortisation and impairment	<u>(7,579)</u>
Net Book Amount	<u>21,951</u>
Year ended 31st March, 2007	
Opening net book amount	21,951
Amortisation	<u>(4,610)</u>
Closing net book amount	<u>17,341</u>
At 31st March, 2007	
Cost	29,530
Accumulated amortisation and impairment	<u>(12,189)</u>
Net Book Amount	<u>17,341</u>
Year ended 31st March, 2008	
Opening net book amount	17,341
Amortisation	<u>(5,339)</u>
Closing net book amount	<u>12,002</u>
At 31st March, 2008	
Cost	29,530
Accumulated amortisation and impairment	<u>(17,528)</u>
Net Book Amount	<u>12,002</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

16. Property, plant and equipment

	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Machinery, equipment and tools <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Office and computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
Year ended 31st March, 2007							
Opening net book amount	16,730	1,454	4,219	336	1,705	2,305	26,749
Exchange differences	—	36	242	12	15	54	359
Transfer to investment properties	(5,581)	—	—	—	—	—	(5,581)
Additions	—	899	3,885	22	—	58	4,864
Disposals	—	(162)	(458)	(43)	(25)	(245)	(933)
Depreciation	(315)	(815)	(1,131)	(40)	(221)	(454)	(2,976)
Closing net book amount	10,834	1,412	6,757	287	1,474	1,718	22,482
At 31st March, 2007							
Cost or valuation	11,965	4,390	11,523	583	3,578	10,029	42,068
Accumulated depreciation	(1,131)	(2,978)	(4,766)	(296)	(2,104)	(8,311)	(19,586)
Net book amount	10,834	1,412	6,757	287	1,474	1,718	22,482
Year ended 31st March 2008							
Opening net book amount	10,834	1,412	6,757	287	1,474	1,718	22,482
Exchange differences	—	59	451	—	24	53	587
Transfer from investment properties	1,453	—	—	—	—	—	1,453
Transfer to investment properties	(7,667)	—	—	—	—	—	(7,667)
Additions	—	389	1,024	—	658	4	2,075
Disposals	—	(315)	(6,464)	(202)	(273)	(553)	(7,807)
Depreciation	(196)	(324)	(1,387)	(16)	(245)	(272)	(2,440)
Closing net book amount	4,424	1,221	381	69	1,638	950	8,683
At 31st March, 2008							
Cost or valuation	5,236	2,092	3,743	273	3,658	5,112	20,114
Accumulated depreciation	(812)	(871)	(3,362)	(204)	(2,020)	(4,162)	(11,431)
Net book amount	4,424	1,221	381	69	1,638	950	8,683

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

- (a) Buildings were pledged to secure certain banking facilities (see Note 30) granted to the Group.
- (b) As at 31st March, 2008, the net book value of motor vehicles includes assets held by the Group under finance leases which amounted to HK\$592,000 (2007: HK\$292,000).
- (c) The Group's buildings were last revalued on 31st March, 2008 by independent valuers. Valuations were carried out by Dudley Surveyors Limited, an independent firm of chartered surveyors. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in equity (Note 25). If the buildings were stated on the historical cost basis, the amounts would be as follows:

	2008 HK\$'000	2007 HK\$'000
Cost	5,524	11,635
Accumulated depreciation	(1,094)	(1,124)
Net book amount	4,430	10,511

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

17. 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	
	2008	2007
	HK\$'000	HK\$'000
In Hong Kong held on:		
Leases of between 10 to 50 years		
At the beginning of the year	6,593	18,175
Revaluation surplus upon transfer to investment properties	—	3,267
Transfer from/(to) investment properties	4,402	(14,554)
Amortisation	(263)	(295)
	<hr/> 10,732	<hr/> 6,593
At the end of the year		
Outside Hong Kong held on:		
Leases of between 10 to 50 years		
At the beginning of the year	7,059	7,219
Revaluation surplus upon transfer to investment properties	9,154	—
Transfer to investment properties	(16,133)	—
Amortisation	(80)	(160)
	<hr/> —	<hr/> 7,059
At the end of the year		
Total	<hr/> 10,732	<hr/> 13,652

Leasehold land and land use rights were pledged to secure certain banking facilities (see Note 30) granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

18. Investment properties

	Group	
	2008 HK\$'000	2007 HK\$'000
Beginning of the year	22,253	5,743
Transfer from buildings	7,667	20,135
Transfer from leasehold land	16,133	—
Transfer to buildings	(1,453)	—
Transfer to land use rights	(4,402)	—
Fair value gains recognised in income statement	3,522	2,118
Disposals	—	(5,743)
	<hr/>	<hr/>
End of the year	43,720	22,253

- (a) Investment properties were revalued as at 31st March, 2008 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 for the year ended 31st March, 2008 amounted to HK\$3,522,000 (2007: HK\$2,118,000).
- (b) The investment properties were pledged to secure certain banking facilities (see Note 30) granted to the Group.

19. Interests in subsidiaries

	Company	
	2008 HK\$'000	2007 HK\$'000
Unlisted shares/investments at cost	68,496	68,496
Amounts due from subsidiaries	42,265	42,292
Amount due to a subsidiary	(362)	(402)
	<hr/>	<hr/>
	110,399	110,386
Less: Provision for impairment losses	(108,445)	(77,074)
	<hr/>	<hr/>
	1,954	33,312

- (a) Particulars of the subsidiaries of the Group are set out in note 35 to the financial statements.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

20. Inventories

	Group	
	2008 HK\$'000	2007 HK\$'000
Raw materials	319	100
Work in progress	811	217
Finished goods	6,228	14,376
	7,358	14,693

21. Trade receivables

The ageing analysis of trade receivables is as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Current	343	13,286
1 to 3 months	—	5,311
Over 3 months	571	691
	914	19,288
Less: provision for bad and doubtful debts	—	(424)
	914	18,864

Trade receivables are denominated in the following currencies:

	Group	
	2008 HK\$'000	2007 HK\$'000
US dollars	914	4,614
Renminbi	—	13,534
Hong Kong dollars	—	716
	914	18,864

- (a) Majority of the Group's export sales are generally on open account of 45 days and letter of credit at sight. The Group's licensee sales are with credit terms of between 30 to 90 days. The Group may, on a case by case basis and after evaluation of the business relationship of the business relationship and creditworthiness, extend the audit period upon customers' request.
- (b) As at 31st March, 2008, trade receivables were factored to banks in the amount of HK\$ 690,000 (2007: HK\$3,497,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

22. Bank balances and cash

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cash at bank and in hand	2,066	8,741	45	15
Pledged bank deposit	—	10,521	—	—
	2,066	19,262	45	15

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
US dollars	654	1,102	16	—
Renminbi	1,290	5,711	—	—
Hong Kong dollars	119	12,439	29	15
Euros and others	3	10	—	—
	2,066	19,262	45	15

The effective interest rate on short-term bank deposits was 2.75% (2007: 3.34%); these deposits had an average maturity of 7 days (2007: 7 days).

The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

23. Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Current	720	4,948
1 to 3 months	246	7,616
4 to 6 months	—	1,164
Over 6 months	340	853
	1,306	14,581

Trade payables are denominated in the following currencies:

	Group	
	2008 HK\$'000	2007 HK\$'000
US dollars	290	6,597
Renminbi	339	7,271
Hong Kong dollars and others	677	713
	1,306	14,581

Payment terms with suppliers are generally on letters of credit and open account. Certain suppliers grant credit terms between 30 to 60 days.

24. Share capital

(a) Authorised and issue capital

	Number of shares	Ordinary shares HK\$'000
Authorised:		
At 31st March, 2007 and 2008		
Ordinary shares of HK\$0.1 each	1,000,000,000	100,000
Issued and fully paid:		
At 31st March, 2007 and 2008	517,400,000	51,740

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

24. Share capital *(continued)*

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company comprising share capital and reserves.

The Board of the Company reviews the capital structure periodically. As part of the review, the Board assesses the annual budget prepared by the finance department taking into account the provision of funding. Subsequent to the balance sheet date, the Board entered into a subscription agreement with Mr. Wong Tek Sun, Takson, a director and substantial shareholder of the Company for the capitalisation of loans by Mr. Wong in the amount of HK\$36,000,000 into 200,000,000 shares of the Company. Details of the subscription were included in note 33(b).

(c) Share option scheme

The share option scheme (the "Share Option Scheme") which became effective on 4th October, 2006 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company's shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a trading day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

24. Share capital (continued)

(c) Share option scheme (continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price	Fair value
			HK\$	at grant date HK\$
2007 Lot 1	28/12/06	28/12/07 to 27/12/09	0.413	0.147
2007 Lot 2	28/12/06	28/12/08 to 27/12/10	0.413	0.161
2008 Lot 1	30/10/07	28/12/07 to 27/12/09	0.550	0.205
2008 Lot 2	09/12/07	12/02/08 to 31/12/08	0.550	0.098

The fair value of the share options granted during the Financial Year is HK\$0.132 (2007: HK\$0.152) each. Options were priced using the Black-Scholes-Merton Option Pricing Model. As it requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

The expected volatility is based on the historical volatility of the share prices of the Company over a period that is equal to the expected life before the grant date.

A summary of the movements of the outstanding options during each of the two years ended 31 March 2008 under the Company's share option schemes are as follows:

Year ended 31 March 2008

Option type	Outstanding at 1/4/2007	Granted during year	Exercised during year	Forfeited during year	Outstanding at 31/3/2008
2007 Lot 1	14,770,000	—	—	(6,610,000)	8,160,000
2007 Lot 2	8,500,000	—	—	(4,500,000)	4,000,000
2008 Lot 1	—	2,340,000	—	—	2,340,000
2008 Lot 2	—	5,000,000	—	—	5,000,000
	23,270,000	7,340,000	—	(11,110,000)	19,500,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

24. Share capital (continued)

(c) Share option scheme (continued)

Year ended 31 March 2007

Option type	Outstanding at 1/4/2006	Granted during year	Exercised during year	Forfeited during year	Outstanding at 31/3/2007
2007 Lot 1	—	14,770,000	—	—	14,770,000
2007 Lot 2	—	8,500,000	—	—	8,500,000
	—	23,270,000	—	—	23,270,000

The vesting period of the share options is from the date of grant until the commencement of the exercise period. The share options would be fully exercisable from the commencement of the exercise period.

The fair value of the share options granted in the Financial Year as determined by using the Black-Scholes-Merton valuation model was approximately HK\$969,000 (2007: HK\$3,541,000) of which approximately HK\$1,858,000 was recognised in the income statement for the year ended 31st March, 2008 (2007: HK\$715,000). The significant inputs into the model are as follows:

	Option type			
	2007 Lot 1	2007 Lot 2	2008 Lot 1	2008 Lot 2
Grant date share price	0.39	0.39	0.55	0.50
Exercise price	0.413	0.413	0.55	0.55
Expected volatility	71.07%	61.17%	87.31%	69.32%
Option life	2 years	3 years	1.16 years	0.69 years
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	3.527%	3.598%	3.043%	1.42%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

25. Reserves

(a) Group

	Share premium (Note a) HK\$'000	Revaluation reserve (Note c) HK\$'000	Share-based compensation reserve (Note d) HK\$'000	Consolidation reserve (Note e) HK\$'000	Translation reserve (Note f) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at							
1st April, 2006	41,392	330	—	2,214	(80)	(41,028)	2,828
Share-based compensation	—	—	715	—	—	—	715
Surplus on revaluation							
— gross	—	3,267	—	—	—	—	3,267
— tax	—	(572)	—	—	—	—	(572)
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	—	—	—	(360)	—	(360)
Transfer from reserve	—	(7)	—	—	—	7	—
Loss for the year	—	—	—	—	—	(35,827)	(35,827)
Balance at							
31st March, 2007	41,392	3,018	715	2,214	(440)	(76,848)	(29,949)
Balance at							
1st April 2007	41,392	3,018	715	2,214	(440)	(76,848)	(29,949)
Share-based compensation	—	—	1,858	—	—	—	1,858
Surplus on revaluation							
— gross	—	9,154	—	—	—	—	9,154
— tax	—	(2,890)	—	—	—	—	(2,890)
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	—	—	—	(238)	—	(238)
Transfer from reserve	—	(6)	—	—	—	6	—
Loss for the year	—	—	—	—	—	(46,106)	(46,106)
Balance at							
31st March, 2008	41,392	9,276	2,573	2,214	(678)	(122,948)	(68,171)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

25. Reserves (continued)

(b) Company

	Share premium (Note a) HK\$'000	Contributed surplus (Note b) HK\$'000	Share-based compensation reserve (Note d) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1st April, 2006	41,392	67,992	—	(105,093)	4,291
Share-based compensation	—	—	715	—	715
Loss for the year	—	—	—	(23,776)	(23,776)
Balance at 31st March, 2007	41,392	67,992	715	(128,869)	(18,770)
Balance at 1st April, 2007	41,392	67,992	715	(128,869)	(18,770)
Share-based compensation	—	—	1,858	—	1,858
Loss for the year	—	—	—	(32,891)	(32,891)
Balance at 31st March, 2008	41,392	67,992	2,573	(161,760)	(49,803)

Notes:

- (a) Share premium reserve
The application of the share premium is governed by section 40 of the Companies Act 1981 of Bermuda.
- (b) Contributed surplus
It represents the excess of the consolidated net assets value of Takson (B.V.I.) Limited upon its merger with the Company over the nominal value of the Company's shares issued in the exchange thereof. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to the equity holders, 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 realizable 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.
- (c) Revaluation reserve
It represents gains/losses arising on the revaluation of the Group's land and buildings (other than investment property). The balance on this reserve is wholly non-distributable.
- (d) Share-based compensation reserve
It represents cumulative expenses recognised on the granting of share options to the employees over the vesting period.
- (e) Consolidation reserve
It 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 pursuant to the exchange of shares on group reorganisation.
- (f) Translation reserve
It represents all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 (c).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

26. Notes to the Consolidated Cash Flow Statement

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

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(46,089)	(35,509)
Amortisation of intangible assets	5,475	4,610
Amortisation of leasehold land and land use rights	343	455
Depreciation of owned property, plant and equipment	2,435	2,871
Depreciation of property, plant and equipment held under finance leases	84	105
Loss on disposal of property, plant and equipment	7,468	875
Profit on disposal of investment properties	—	(660)
Changes in fair value of investment properties	(3,522)	(2,118)
Share-based compensation expense	1,858	715
Receipts from disposal of intangible assets	—	(3,880)
Interest income	(154)	(535)
Interest on bank loans and overdrafts	3,272	3,465
Interest element of finance lease obligations	27	33
Other interest expense	3,136	1,566
	<hr/>	<hr/>
Operating loss before working capital changes	(25,667)	(28,007)
Decrease in inventories	7,335	17,952
Decrease in trade receivables, prepayments, deposits and other receivables	20,404	2,959
(Decrease)/Increase in trade payables, other payables and accrued charges	(18,881)	4,863
Decrease in license fees payable	(3,706)	(5,921)
Translation adjustment on working capital	—	630
	<hr/>	<hr/>
Net cash outflow from operations	(20,515)	(7,524)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

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

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand <i>(Note 22)</i>	2,066	8,741

27. Bank borrowings

At 31st March, 2008, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Long term bank loans — secured	9,932	10,785
Obligations under finance lease	399	—
	10,331	10,785
Current		
Short-term bank loans — secured	27,726	40,220
Current portion of long term bank loans — secured	819	674
Obligations under finance lease	123	63
	28,668	40,957
Total borrowings	38,999	51,742

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

27. Bank borrowings (continued)

At 31st March, 2008, the Group's bank loans are repayable as follows:

	Bank loans		Obligations under finance lease	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Within one year	28,545	40,894	123	63
In the second year	897	723	132	—
In the third to fifth year inclusive	9,035	10,062	267	—
Wholly repayable within 5 years	38,477	51,679	522	63

The carrying amounts of the bank borrowings are denominated in the following currencies:

	Group	
	2008 HK\$'000	2007 HK\$'000
Hong Kong Dollars	9,522	5,063
Renminbi	16,182	30,942
United States Dollars	13,295	15,737
	38,999	51,742

The effective interest rates for the Group's bank loans at the balance sheet date were as follows:

	2008	2007
Hong Kong Dollars	7.5%	7.5%
Renminbi	7.9%	5.9%
United States Dollars	7.0%	7.5%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

28. Long-term liabilities

	Group	
	2008	2007
	HK\$'000	HK\$'000
Non-current		
License fees payable	—	11,254
Post employment benefits	263	263
	<hr/>	<hr/>
	263	11,517
	-----	-----
Current		
Current portion of license fee payable	12,002	4,454
	<hr/>	<hr/>
Total long-term liabilities	12,265	15,971
	<hr/>	<hr/>

29. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2007: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

29. Deferred taxation (continued)

The movements on the deferred tax liabilities are as follows:

	Revaluation of properties <i>HK\$'000</i>	Accelerated depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Deferred tax liabilities			
At 1st April, 2006	—	1,243	1,243
Deferred taxation charged/(credited) to income statements	326	(1,243)	(917)
Deferred taxation charged to equity	572	—	572
At 31st March, 2007	898	—	898
At 1st April, 2007	898	—	898
Deferred taxation charged to equity	2,890	—	2,890
At 31st March, 2008	3,788	—	3,788

The movements on the deferred tax assets are as follows:

	Tax losses <i>HK\$'000</i>
Deferred tax assets	
At 1st April, 2006	74
Deferred taxation charged to income statement	(74)
At 31st March, 2007	—
At 1st April, 2007	—
Deferred taxation charged to income statement	—
At 31st March, 2008	—

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses to carry forward against future taxable income. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

30. Banking facilities

As at 31st March, 2008 the Groups banking facilities amounting to approximately HK\$68,182,000 (2007: HK\$73,718,000) were secured by the following:

- (a) first legal charge over the Group's investment properties and leasehold land and buildings in Hong Kong and the PRC with an aggregate carrying value of approximately HK\$58,876,000 (2007: approximately HK\$46,739,000);
- (b) bank deposit of HK\$Nil (2007: HK\$10,521,000);
- (c) corporate guarantees from the Company and certain of its subsidiaries.

31. Contingent liabilities

- (a) The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised as at 31st March, 2008 amounted to HK\$40,786,000 (2007: HK\$40,473,000).
- (b) In February 2007, the Company initiated a legal action to claim the landlord of the Directors' quarters for damages and return of deposit as a result of wrongful repudiation of the tenancy agreement, which is quantified at HK\$604,000 plus general damages and additional rent, rates and management fee to be assessed. The landlord commenced a separate legal action to counter-claim the Company in the amount of approximately HK\$705,000, being the outstanding and unpaid rent for the remainder of the term of the tenancy agreement as reduced by the rental earned by the landlord from re-letting the premises, plus losses, damages, repair costs and re-instatement expenses to be assessed.

As the legal proceedings are still ongoing and the outcome is uncertain, the Directors are of the opinion that the amount of obligations (if any) cannot be reliably measured at this stage and, accordingly, no provision for such liabilities has been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

32. Commitments

(a) Capital commitments

As at 31st March, 2008, the Group had the following capital commitments which are contracted but not provided for:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Purchase of property, plant and equipment	<u>79</u>	<u>320</u>

The Company had no material capital commitments as at 31st March, 2008 and 2007.

(b) Commitments under operating leases

(i) At 31st March, 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not later than one year	1,796	1,712
Later than one year and not later than five years	<u>—</u>	<u>363</u>
	1,796	2,075

(ii) At 31st March, 2008, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not later than one year	2,860	967
Later than one year and not later than five years	<u>2,439</u>	<u>1,419</u>
	5,299	2,386

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

33. 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 decisions, or vice versa, or where the Group and the parties are subject to common control or significant influence. Related parties may be individuals or entities.

Takson International Holdings Limited, a company incorporated in the British Virgin Islands, owns 55.1% in the Company's shares. The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

(a) Key management compensation

	Group	
	2008	2007
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	11,802	10,764

(b) Loans from a director

Loans from a director on the Group's consolidated balance sheet represent unsecured loans advanced by Mr. Wong Tek Sun, Takson, a director and a shareholder of the Company. The loans bear interest at Hong Kong Prime lending rate less 0.5% commencing from 6th July, 2007.

Subsequent to the balance sheet date, Mr. Wong Tek Sun, Takson capitalised part of the loan in the sum of HK\$36 million and subscribed for 200,000,000 shares of the Company at a subscription price of HK\$0.18 per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

34. Subsequent events

- (a) On 7th April, 2008, the Group signed two agreements for the termination of the "Diadora" license and the sale of the related inventories and accounts receivable. The consideration for the termination of the license in the sum of US\$2.59 million was received in May 2008. It was used partially for repayment of bank loan of RMB8.85 million and the balance as working capital of the Group. The completion of the sale of related inventories and accounts receivable is scheduled to be completed by 11th August 2008.
- (b) On 24th April 2008, the Company entered into a subscription agreement with Mr. Wong Tek Sun, Takson ("Mr. Wong"), a director and substantial shareholder of the Company. Pursuant to that agreement, the Company issued and allotted an aggregate of 200,000,000 ordinary shares to Mr. Wong at the price of HK\$0.18 per share for the capitalisation of loan of HK\$36 million advanced by Mr. Wong to the Company. The transaction was approved by the independent shareholders in a special general meeting held on 27th May 2008.

35. Particulars of Subsidiaries

The subsidiaries of the Group at 31st March, 2008 are as follows:

Name of subsidiary	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
<i>Interest held directly</i>				
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%
<i>Interest held indirectly</i>				
Shanghai Global Sportswear Inc.*	PRC	Manufacturing and sale of sporting products	Registered capital of US\$400,000	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. Particulars of Subsidiaries (continued)

Name of subsidiary	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
<i>Interest held indirectly (continued)</i>				
Heide Sporting Goods (Shanghai) Co Limited*	PRC	Inactive	Registered capital of US\$200,000	100%
Suzhou Fan Shing International Limited*	PRC	Inactive	Registered capital of US\$65,000	100%
Shanghai Diadora International Trading Company Limited*	PRC	Inactive	Registered capital of US\$2,250,000	100%
Global Sports Limited	Hong Kong	Inactive	1 ordinary share of HK\$1	100%
Takson Down Manufacturing, Inc.	United States of America	Inactive and under liquidation in process	200,000 ordinary shares of US\$1 each	100%
Takson Garment Manufacturing (Malaysia) Limited	Labuan, Malaysia	Inactive and under liquidation in process	1 ordinary share of US\$1	100%
Takson Garment Manufacturing Company Limited	Hong Kong	Sourcing and sales of outerwear garments, property holding in the PRC and provision of manufacturing and accounting services 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	Properties holding in Hong Kong	1 ordinary share of US\$1	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. Particulars of Subsidiaries *(continued)*

Name of subsidiary	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
<i>Interest held indirectly (continued)</i>				
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	Inactive	Registered capital of RMB\$6,000,000	75.5%

Note:

* Wholly foreign-owned enterprise

^ Sino-foreign equity joint venture enterprise

36. Comparative figures

Certain profit and loss comparative figures have been re-stated to conform with the disclosure requirements for continuing and discontinued operations in accordance with HKFRS 5.

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last five financial years are as follows:

	2008 HK\$	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	117,856	138,105	135,278	110,608	208,185
(Loss)/profit attributable to equity holders	(46,106)	(35,827)	(20,454)	11,424	(15,203)
Assets and Liabilities					
Total assets	88,343	133,869	157,823	136,826	82,223
Total liabilities	(104,774)	(112,078)	(103,255)	(72,222)	(30,288)
Net (liabilities)/assets	(16,431)	21,791	54,568	64,604	51,935

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31st March, 2008 are as follows:

Location	Gross floor area (sq. ft.)	Type	Tenure
Workshop Units No. 11 and 12B On 5th Floor, Tower One, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong	9,853	Commercial	Medium Lease
中華人民共和國上海市 延安西路726號 華敏翰尊國際大廈東樓 23層E室，F室，G室，H室 I室及L室	11,116	Commercial	Medium Lease

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Takson Holdings Limited (the "Company") to be held at Salon III, 1/F., Harbour Plaza Hong Kong, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong on Monday, 25 August 2008 at 4:00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the audited accounts and the reports of the directors and the auditor for the year ended 31 March 2008.
2. To re-elect directors and to authorise the board of directors to fix their remuneration.
3. To re-appoint the auditor and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider as special business and, if thought fit, pass with or without modification the following resolutions as ordinary resolutions:

(A) **"THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a rights issue (as hereinafter defined) or (ii) an issue of shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities of the Company or (iii) an issue of shares upon the exercise of subscription rights under any option scheme or similar arrangement of shares or rights to acquire shares of the Company or (iv) an issue of shares pursuant to any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the memorandum of association and the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held;
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution; and

“Rights Issue” means an offer of shares in the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares in the Company, or any class of shares of the Company, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or where appropriate such other securities) as at the date (subject to such exclusions or

NOTICE OF ANNUAL GENERAL MEETING

other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

(B) **“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares in the share capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and is recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

- (C) **“THAT** subject to the passing of the resolutions pursuant to Ordinary Resolution nos. 4(A) and 4(B) of the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the Company pursuant to Ordinary Resolution no. 4(A) as set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution no. 4(B) as set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the said Ordinary Resolution.”
- (D) **“THAT** the authorised share capital of the Company be increased from HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each of the Company to HK\$300,000,000 divided into 3,000,000,000 shares of HK\$0.10 each of the Company by the creation of an additional 2,000,000,000 unissued Shares (“Increase of Authorised Capital”) and the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Increase of Authorised Capital.”
- (E) **“THAT**
- (a) subject and conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the Scheme Mandate Limit (as defined below), the refreshment of the limit in respect of the maximum number of the Shares which may be issued upon the exercise of all share options to be granted under the share option scheme of the Company adopted on 25 August 2006 (the “Share Option Scheme”) up to 10 per cent of the number of Shares in issue as at the date of the passing of this resolution (the “Scheme Mandate Limit”) be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme and to do all such acts and execute all such documents to effect the Scheme Mandate Limit.”

By order of the Board
Tong Yat Chong
Company Secretary

Hong Kong, 31 July 2008

NOTICE OF ANNUAL GENERAL MEETING

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and Principal Place
of Business in Hong Kong:*

Room 512-513
5th Floor, South Wing
Harbour Centre
Tower One
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the proxy form together with the power of attorney of other authority (if any) under which it is signed or a certified copy of that power of authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).
3. Completion and return of the proxy form will not preclude members from attending and voting at the aforesaid meeting.
4. The register of members will be closed from 20 August 2008 (Wednesday) to 25 August 2008 (Monday) (both dates inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on 25 August 2008, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 19 August 2008 (Tuesday).