1. Principal Accounting Policies

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

(a) Basis of preparation

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

In the current year, the Group adopted the revised Statement of Standard Accounting Practice No. 12 "Income Taxes" ("SSAP 12") issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. The adoption of the revised SSAP 12 has no material effect on the Group's prior year accounts.

(b) Consolidation

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

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

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

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

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

1. Principal Accounting Policies *(continued)*

(b) Consolidation *(continued)*

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

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

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

(c) Intangible assets

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

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

(d) Fixed assets

(i) Investment properties

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

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(i) Investment properties *(continued)*

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

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

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

(ii) Leasehold land and buildings

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

(iii) Amortisation of leasehold land

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

(iv) Depreciation of leasehold buildings

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

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(v) Leasehold improvements and other tangible fixed assets

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

Leasehold improvements	10-15%
Furniture and fixtures	10-15%
Machinery, equipment and tools	10-15%
Motor vehicles	10-15%
Office and computer equipment	10-33%

(vi) Impairment of fixed assets

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

(vii) Gain or loss on disposal of fixed assets

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

(viii) Cost of restoring and improving fixed assets

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

1. Principal Accounting Policies *(continued)*

(e) Assets under leases

(i) Finance leases

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

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

(ii) Operating leases

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

(f) Other investment

Other investment is stated at cost less any provision for impairment loss.

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

1. Principal Accounting Policies *(continued)*

(g) Inventories

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

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

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

(h) Accounts receivable

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

(i) Translation of foreign currencies

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

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

(j) Cash and cash equivalents

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

1. Principal Accounting Policies *(continued)*

(k) Provisions

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

(l) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

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

1. Principal Accounting Policies *(continued)*

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of the revised SSAP 12 has no material impact on the current and prior years' accounts of the Group.

(n) Contingent liabilities

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

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

1. Principal Accounting Policies *(continued)*

(o) Borrowing costs

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

(p) Segment reporting

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

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

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

(q) Revenue recognition

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

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

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

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

2. Turnover and segment information

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

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**208,185**	258,701
Other revenues		
Income from sample sales	**105**	183
Interest income	**4,835**	3,131
Rental income	**1,467**	1,731
	6,407	5,045
Total revenues	**214,592**	263,746

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

Primary reporting format — business segments

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

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

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

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

Primary reporting format — business segments *(continued)*

	Year ended 31st March, 2003 HK$'000			
	Export business	Licensee business	E-business (Discontinued operatons)	Total
Turnover	257,704	997	—	258,701
Segment operating profit/(loss)	6,252	(7,357)	(35)	(1,140)
Interest income				3,131
Rental income				1,731
Unallocated income				19
Operating profit				3,741
Finance costs				(2,661)
Profit before taxation				1,080
Taxation credit				4
Profit after taxation				1,084
Minority interests				578
Profit attributable to shareholders				1,662
Segment assets	72,044	5,182	—	77,226
Unallocated assets				13,227
Total assets				90,453
Segment liabilities	7,584	2,578	—	10,162
Unallocated liabilities				13,487
Total liabilities				23,649
Capital expenditure	834	950	—	1,784
Depreciation	1,823	121	—	1,944
Amortisation charge	168	—	—	168

There are no sales or other transactions between the business segments. Unallocated (costs)/income represent corporate (expenses)/income.

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

Secondary reporting format — geographical segments

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

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

Secondary reporting format — geographical segments *(continued)*

	Year ended 31st March, 2003 *HK$'000*			
	Turnover	Segment operating (loss)/profit	Total assets	Capital expenditure
United States of America	219,260	(370)	3,647	—
Europe	19,372	(9)	1,081	—
Canada	14,204	(8)	—	—
Hong Kong	93	(750)	69,735	830
Mainland China	997	(1)	15,955	954
Others	4,775	(2)	35	—
	258,701	(1,140)	90,453	1,784
Interest income		3,131		
Rental income		1,731		
Unallocated income		19		
Operating profit		3,741		

There are no sales between the geographical segments.

3. Operating (Loss)/Profit

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Crediting		
Revaluation surplus on investment properties *(Note 12(b))*	**304**	—
Write-back of provision for obsolete inventories	**1,248**	—
Charging		
Amortisation of trademarks	**168**	168
Auditors' remuneration	**645**	755
Depreciation		
Owned fixed assets	**1,623**	1,709
Leased fixed assets	**234**	235
Net exchange losses	**1,116**	853
Net loss on disposal of fixed assets	**101**	510
Staff costs, including directors' emoluments *(Note 4 and 10)*	**20,537**	21,025
Operating leases		
Land and buildings	**2,626**	3,254
Hire of machinery and equipment	**17**	32
Outgoings in respect of investment properties	**160**	122
Provision for bad and doubtful debts	**529**	1,961
Provision for obsolete inventories	**—**	62
Unrealised losses on trading securities	**—**	915
Loss on disposal of trading securities	**—**	8

4. Staff Costs

	Group	
	2004	2003
	HK$'000	*HK$'000*
Wages and salaries	**11,102**	11,967
Pension costs — defined contribution plans	**529**	330
Total staff costs, excluding directors' emoluments	**11,631**	12,297

5. Finance Costs

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**2,409**	2,614
Interest element of finance leases wholly repayable within five years	**52**	47
Total borrowing costs incurred	**2,461**	2,661

6. Taxation Charge/(Credit)

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

	2004	2003
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current tax *(Note 6(a))*	**—**	—
Under/(over) provision in previous years	**6**	(13)
Overseas taxation		
Current tax *(Note 6(b))*	**—**	151
Under/(over) provision in previous years	**186**	(1)
Deferred taxation relating to the origination and reversal of temporary differences *(Note 22)*	**51**	(141)
Taxation charge/(credit)	**243**	(4)

(a) Hong Kong profits tax is calculated at the rate of 17.5% (2003:16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. No provision for Hong Kong profits tax has been made in the accounts as the Group does not have assessable income for the year.

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

6. Taxation Charge/(Credit) *(continued)*

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(17,731)**	1,080
Calculated at a taxation rate of 17.5% (2003: 16%)	**(3,103)**	172
Effect of different taxation rates in other countries	**(20)**	(349)
Income not subject to taxation	**(3)**	(1,296)
Expenses not deductible for taxation purposes	**2,884**	1,472
Utilisation of previously unrecognised tax losses	**—**	(3)
Unrecognised tax losses	**690**	168
Temporary differences not previously recognized	**(397)**	(154)
Under/(over)provision in previous years	**192**	(14)
Taxation charge/(credit)	**243**	(4)

7. (Loss)/Profit Attributable to Shareholders

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK$5,828,000 (2003: loss of HK$35,370,000).

8. (Loss)/Earnings per Share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of approximately HK$17,472,000 (2003: profit of HK$1,662,000).

The basic (loss)/earnings per share is based on the weighted average number of 389,500,000 (2003: 389,500,000) ordinary shares in issue during the year. No diluted earnings /(loss) per share is presented as there are no dilutive potential ordinary shares for the years ended 31st March, 2004 and 2003.

9. Retirement Benefit Costs

The retirement benefit costs charged to the consolidated profit and loss account represent gross contributions payable by the Group to the retirement scheme of HK$617,000 (2003: HK$450,000) less forfeited contributions utilised of HK$34,000 (2003: HK$92,000). Contributions of HK$148,000 (2003: HK$28,000) were payable to the scheme at the year end and are included in current liabilities under accrued charges. As at 31st March, 2004, there were unutilised forfeited contributions of HK$43,000 (2003: HK$8,300).

10. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

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

	2004	2003
	HK$'000	*HK$'000*
Fees	**600**	420
Other emoluments		
Basic salaries and housing benefits	**8,252**	8,280
Contributions to defined contribution scheme	**54**	28
	8,906	8,728

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

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

(a) Directors'emoluments *(continued)*

The emoluments of the directors fell within the following bands:

	Number of directors	
	2004	2003
Emolument bands		
HK$Nil — HK$1,000,000	**3**	4
HK$3,500,001 — HK$4,000,000	**1**	1
HK$4,000,001 — HK$4,500,000	**1**	1
	5	6

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2003: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: three) individuals during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Basic salaries	**1,424**	1,461
Bonuses	**125**	208
Pensions	**69**	70
	1,618	1,739

The emoluments of each of the three individuals (2003: three) were below HK$1,000,000 (2003: below HK$1,000,000).

11. Intangible Assets

	Group 2004 HK$'000	2003 HK$'000
Trademarks		
Cost		
At 1st April	**2,519**	2,499
Exchange difference	**2**	20
At 31st March	**2,521**	2,519
Accumulated amortisation		
At 1st April	**1,854**	1,674
Amortisation for the year	**168**	168
Exchange difference	**1**	12
At 31st March	**2,023**	1,854
Net book value at 31st March	**498**	665

12. Fixed Assets

	Group							
	Investment properties	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Machinery, equipment and tools	Motor vehicles	Office and computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation								
At 1st April, 2003	11,500	40,583	3,067	4,830	422	3,350	9,379	73,131
Additions	—	—	295	207	17	—	85	604
Revaluation surplus	2,775	—	—	—	—	—	—	2,775
Disposals	—	—	(195)	—	—	—	(41)	(236)
At 31st March, 2004	**14,275**	**40,583**	**3,167**	**5,037**	**439**	**3,350**	**9,423**	**76,274**
At cost	—	40,583	3,167	5,037	439	3,350	9,423	61,999
At valuation	14,275	—	—	—	—	—	—	14,275
	14,275	40,583	3,167	5,037	439	3,350	9,423	76,274
Accumulated depreciation and impairment:								
At 1st April, 2003	—	23,525	1,776	3,372	238	935	7,275	37,121
Charge for the year	—	383	332	242	27	368	505	1,857
Disposals	—	—	(94)	—	—	—	(41)	(135)
At 31st March, 2004	—	**23,908**	**2,014**	**3,614**	**265**	**1,303**	**7,739**	**38,843**
Net book value								
At 31st March, 2004	**14,275**	**16,675**	**1,153**	**1,423**	**174**	**2,047**	**1,684**	**37,431**
At 31st March, 2003	11,500	17,058	1,291	1,458	184	2,415	2,104	36,010

12. Fixed Assets *(continued)*

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

	2004	2003
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	**28,781**	26,343
Outside Hong Kong, held on:		
Leases of over 50 years	**2,169**	2,215
	30,950	28,558

(b) Investment properties were revalued as at 31st March, 2004 on the basis of their open market value by Jones Lang LaSalle Limited, an independent firm of chartered surveyors. The revaluation surplus credited to the investment property revaluation reserve and profit and loss account amounted to HK$2,471,000 (Note 20) and HK$304,000 (Note 3) respectively.

(c) As at 31st March, 2004 and 2003, the investment properties and leasehold land and buildings in Hong Kong were mortgaged to a bank to secure banking facilities granted to the Group (Note 24(a)).

(d) As at 31st March, 2004, the net book value of motor vehicles includes assets held by the Group under finance leases amounting to HK$1,326,000 (2003: HK$1,594,000).

13. Deposits Paid for Purchase of Office Premises

On 15th October, 2003, a subsidiary of the Group, entered into purchase contracts with an independent property developer to purchase certain office units in Shanghai at a consideration of RMB15,605,092 (equivalent to approximately HK$14,700,000). Under the contracts, the properties will be completed and the legal title will be transferred to the Group before 30th July, 2004. As at the balance sheet date, the Group has paid US$659,866 (equivalent to HK$5,147,000) as deposit. The remaining balance of RMB10,143,309 (equivalent to approximately HK$9,553,000) was subsequently paid in April 2004 and was financed by a bank mortgage loan (Note 26(a)). The bank mortgage loan is interest bearing at US prime lending rate minus 1% per annum and is repayable by 180 monthly installments, starting from May 2004.

14. Investments in Subsidiaries

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**68,192**	68,192
Amounts due from subsidiaries *(Note 14(b))*	**74,372**	79,509
	142,564	147,701
Less: provision for impairment losses	**(72,965)**	(71,596)
	69,599	76,105

(a) Particulars of the Company's principal subsidiaries are set out in note 28 to the accounts.

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

15. Other Investment

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

16. Inventories

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**130**	464
Work-in-progress	**144**	616
Finished goods	**3,166**	5,486
	3,440	6,566

At 31st March, 2004, the carrying amount of inventories that are carried at net realisable value amounted to HK$319,000 (2003: HK$3,682,000). The inventories are stated after a provision for obsolete inventories of HK$1,315,000 (2003: HK$2,563,000).

17. Trade Receivables

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Below 1 month	**124**	654
1 to 3 months	**74**	574
4 to 6 months	**5**	352
7 to 9 months	**135**	10
10 to 12 months	**76**	1
Over 1 year	**185**	117
	599	1,708
Less: Provision for bad and doubtful debts	**(180)**	(99)
	419	1,609

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

(b) As at 31st March, 2004, trade receivables factored to a bank and remaining outstanding amounted to approximately HK$95,000 (2003: HK$922,000).

18. Trade Payables

The ageing analysis of trade payables was as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Below 1 month	**206**	377
1 to 3 months	**15**	53
4 to 6 months	**89**	317
7 to 9 months	**92**	124
10 to 12 months	**3**	504
Over 1 year	**674**	446
	1,079	1,821

19. Share Capital

	Company			
	Ordinary shares of HK$0.1 each			
	2004		2003	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Authorised:				
At 31st March, 2002, 31st March, 2003 and 31st March, 2004	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
At 1st April and 31st March	**389,500,000**	**38,950**	389,500,000	38,950

20. Reserves

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share premium				
At 1st April and 31st March	**42,032**	42,032	**42,032**	42,032
Contributed surplus *(Note 20 (a))*				
At 1st April and 31st March	**—**	—	**67,992**	67,992
Exchange fluctuation reserve				
At 1st April	**5**	33	**—**	—
Exchange difference arising on translation of the accounts of overseas subsidiaries	**3**	(28)	**—**	—
At 31st March	**8**	5	**—**	—
Reserve on consolidation *(Note 20 (b))*				
At 1st April	**2,214**	3,214	**—**	—
Written back upon deregistration of a Subsidiary	**—**	(1,000)	**—**	—
At 31st March	**2,214**	2,214	**—**	—
Investment property revaluation reserve				
At 1st April	**—**	—	**—**	—
Surplus on revaluation *(Note 12(b))*	**2,471**	—	**—**	—
At 31st March	**2,471**	—	**—**	—
Accumulated losses				
At 1st April	**(17,628)**	(19,290)	**(72,704)**	(37,334)
(Loss)/profit attributable to shareholders	**(17,472)**	1,662	**(5,828)**	(35,370)
At 31st March	**(35,100)**	(17,628)	**(78,532)**	(72,704)
Total reserves at 31st March	**11,625**	26,623	**31,492**	37,320

20. Reserves *(continued)*

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

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

21. Long-Term Liabilities

		Group	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Bank loans — secured	*21 (a), 24*	**15,910**	14,963
Obligations under finance leases	*21 (b)*	**1,005**	1,373
Post-employment benefits		**646**	646
		17,561	16,982
Less: Current portion of long-term liabilities		**(13,596)**	(11,469)
		3,965	5,513

21. Long-Term Liabilities *(continued)*

(a) At 31st March, 2004, the Group's bank loans are repayable as follows:

	2004	2003
	HK$'000	*HK$'000*
Within one year	**13,270**	11,124
In the second year	**1,667**	3,839
In the third to fifth year inclusive	**973**	—
	15,910	14,963

(b) At 31st March, 2004, the Group's finance lease liabilities are repayable as follows:

	2004	2003
	HK$'000	*HK$'000*
Within one year	**372**	397
In the second year	**394**	395
In the third to fifth year	**348**	742
	1,114	1,534
Future finance charges on finance leases	**(109)**	(161)
	1,005	1,373

The present value of the Group's finance lease liabilities is as follows:

	2004	2003
	HK$'000	*HK$'000*
Within one year	**326**	345
In the second year	**355**	349
In the third to fifth year	**324**	679
	1,005	1,373

22. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%) for subsidiaries operating in Hong Kong. Deferred taxation for subsidiaries operates in overseas is calculated at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The movement on the deferred tax liabilities/(assets) account is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
At 1st April	**—**	141
Deferred taxation charged/(credited) to profit and loss account *(Note 6)*	**51**	(141)
At 31st March	**51**	—

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$41,914,000 (2003: HK$38,047,000) to carry forward against future taxable income. The tax losses have no expiry date.

Deferred income tax liabilities of HK$Nil (2003: HK$329,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of a subsidiary and such unremitted earnings totalled HK$Nil at 31st March, 2004 (2003: HK$1,097,000).

22. Deferred Taxation *(continued)*

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

Deferred tax liabilities

	Group Accelerated tax depreciation	
	2004	2003
	HK$'000	*HK$'000*
At 1st April	**—**	141
Charged/(credited) to profit and loss account	**722**	(141)
At 31st March	**722**	—

Deferred tax assets

	Group							
	Decelerated tax depreciation		Provisions		Tax losses		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1st April	**—**	—	**—**	—	**—**	—	**—**	—
Credited to profit and loss account	**(570)**	—	**(50)**	—	**(51)**	—	**(671)**	—
At 31st March	**(570)**	—	**(50)**	—	**(51)**	—	**(671)**	—

22. Deferred Taxation *(continued)*

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Deferred tax assets	**(621)**	—
Deferred tax liabilities	**672**	—
	51	—

23. Notes to the Consolidated Cash Flow Statement

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

	2004	2003
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(17,731)**	1,080
Amortisation of trademarks	**168**	168
Depreciation of owned fixed assets	**1,623**	1,709
Depreciation of fixed assets held under finance leases	**234**	235
Net loss on disposal of fixed assets	**101**	510
Revaluation surplus on investment properties	**(304)**	—
Interest income	**(4,835)**	(3,131)
Interest on bank loans and overdrafts	**2,409**	2,614
Interest element of finance leases	**52**	47
Write-back of reserve upon deregistration of a subsidiary	**—**	(1,000)
Operating (loss)/profit before working capital changes	**(18,283)**	2,232
Decrease in inventories	**3,126**	7,692
Decrease in trade, other receivables, prepayments and deposits	**7,392**	14,632
Decrease in trading securities	**—**	2,025
Decrease in trade payables, accrued charges and other payables	**(900)**	(1,671)
Effect of foreign exchange rate changes	**2**	(37)
Net cash (outflow)/inflow from operations	**(8,663)**	24,873

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

(b) Analysis of changes in financing during the year

	Pledged time deposits		Share capital including share premium		Trust receipts and others bank loans		Finance leases		Minority interests	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Balance at 1 st April	**(2,035)**	—	**80,982**	80,982	**14,963**	25,308	**1,373**	1,233	**1,231**	—
Inception of finance leases	**—**	—	**—**	—	**—**	—	**—**	612	**—**	—
Share of loss of a subsidiary	**—**	—	**—**	—	**—**	—	**—**	—	**(502)**	(578)
Cash inflow/(outflow) from financing	**2,035**	(2,035)	**—**	—	**2,604**	(10,345)	**(368)**	(472)	**—**	1,809
Balance at 31 st March	**—**	(2,035)	**80,982**	80,982	**17,567**	14,963	**1,005**	1,373	**729**	1,231

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

	2004	2003
	HK$'000	*HK$'000*
Cash and bank balances	**24,977**	33,140
Bank overdrafts — secured	**(594)**	—
	24,383	33,140

24. Banking Facilities

As at 31st March, 2004, the Group's banking facilities amounting to approximately HK$195,918,000 (2003: HK$192,074,000) were secured by the following:

(a) first legal charge over investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of approximately HK$28,781,000 (2003: HK$26,343,000) (Note 12(c));

(b) charge on bank deposits of the Group amounting to HK$Nil (2003: HK$2,035,000); and

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

25. Contingent Liabilities

(a) The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2004 amounted to approximately HK$19,172,000 (2003: HK$15,977,000).

(b) As at 31st March, 2004, trade receivables factored to a bank and remaining outstanding amounted to approximately HK$95,000 (2003: HK$922,000).

26. Commitments

(a) Capital commitments

As at 31st March, 2004, the Group had capital commitments, which is contracted but not provided for in respect of the acquisition of certain office units amounted to approximately HK$9,553,000 (Note 13) (2003: HK$Nil).

26. Commitments *(continued)*

(b) Commitments under operating leases

(i) At 31st March, 2004, future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group				Company	
	2004		2003		**2004**	2003
	Land and buildings	**Others**	Land and buildings	Others	**Land and buildings**	Land and buildings
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**2,220**	**—**	2,177	14	**972**	1,296
Later than one year and not later than five years	**562**	**—**	1,086	—	**—**	972
	2,782	**—**	3,263	14	**972**	2,268

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

(ii) At 31st March, 2004, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**1,170**	1,296
Later than one year and not later than five years	**566**	390
	1,736	1,686

27. Ultimate Holding Company

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

28. Particulars of Principal Subsidiaries

The principal subsidiaries of the Company at 31st March, 2004 are as follows:

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

28. Particulars of Principal Subsidiaries *(continued)*

Name	Country/ Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued share capital/ registered capital	Attributable equity interest
***Interest held indirectly** (continued)*				
Takson Garment Manufacturing (Malaysia) Limited	Labuan, Malaysia	Sourcing and sales of outerwear garments	1 ordinary share of US$1	100%
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of outerwear garments	20 ordinary shares of HK$10,000 each	100%
Takson Garment Services Limited	BVI	Inactive	10 ordinary shares of US$1 each	100%
Takson Properties Limited	BVI	Property holding in Hong Kong	1 ordinary share of US$1	100%
^Wuhan Hande Sportswear Co. Ltd.	PRC	Sales of sportswear	Registered capital of RMB$3,000,000	51%

* Wholly Foreign-owned Enterprise, with limited liability

^ Sino-Foreign Equity Joint Venture Enterprise, with limited liability

Note:

In July, 2003, both parties to the joint venture agreed to apply to the relevant authorities for the liquidation of the joint venture. The Group's earlier capital contribution in the form of bank savings of HK$993,000 is expected to be returned to the Group upon the completion of the liquidation of the joint venture that is expected to be completed by the end of the year.

29. Approval of Account

The accounts were approved by the board of directors on 23rd July, 2004.