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

Annual Report 2010/11 年報

CONTENTS

TAKSON HOLDINGS LIMITED

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. Cunningham, James Patrick
Mr. Chau Tsun Ming, Jimmy
Mr. Wong Kwok Tai

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
Hunghom, Kowloon
Hong Kong

Auditor

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

Principal Banker

DBS Bank (Hong Kong) Limited

Solicitors

Bermuda:
Conyers Dill & Pearman

Hong Kong:
Woo, Kwan, Lee & Lo

Share Registrars And Transfer Offices

Bermuda:
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
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

The Group recorded a turnover of approximately HK$138.8 million in the year under review, representing an increase of 83% as compared to approximately HK$75.8 million recorded last year. Turnover of garment export and property investment were HK$135.7 million (2010: HK$73.1 million) and HK$3.1 million (2010: HK$2.7 million) respectively. Gross profit margin achieved from export business was 12.4%, compared to 15.3% in last year. The profit attributable to equity holders of the Company amounted to HK$0.3 million, compared to HK$2.3 million in last year.

Business Overview

Export business

In the year under review, the Group focused its marketing efforts on key customers and it successfully secured more orders from existing customers and also developed business with new customers. As a result, turnover for the Financial Year increased by 85% to HK$ 135.7 million (2010: HK$73.1 million). Gross profit margin achieved was approximately 12.4% (2010: 15.3%). The deterioration was mainly caused by rises in raw material and labour costs in China and the appreciation of Chinese Yuan in the year under review. On the cost side, the Group invested substantially on product development and marketing to pave the way for securing more orders from its customers and diversification into other products. Administration expenses also increased due to increase in staff and related cost.

Moving forward, the Group will continue to focus on this core business by soliciting more orders from existing and new customers. The Group will strengthen its product range for spring/summer season to reduce its reliance on outerwear for the fall/winter season.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK$3.1 million compared to HK$2.7 million in the previous year. The increase was due to upward revision of rental from lease renewed during the year. As at the end of the reporting period, all investment properties were fully let out. The investment property portfolio of the Group reported increase in fair value of HK$16.2 million compared to HK$8.5 million in last year.

CHAIRMAN'S STATEMENT

Financial Review

During the Financial Year, the Group has recorded a turnover of approximately HK$138.8 million as compared to HK$75.8 million last year, representing an increase of approximately 83%. The turnover for the export business and property investment was approximately HK$135.7 million (2010: HK$73.1 million) and HK$3.1 million (2010: HK$2.7 million) respectively. The increase in turnover of the export business was a result of the strategy adopted by the Group to focus its marketing efforts on key customers with good track record with the Group.

The gross profit margin of the export business was approximately 12.4% (2010: 15.3%). The decrease in the gross profit margin of the export business was mainly due to rises in raw material and labour costs in China and the appreciation of Chinese Yuan and orders received from a customer with low margins.

Prospects

The Group will continue to focus on export business and expand its customer base and diversify the product varieties beyond outerwear to achieve a more balanced product mix. Following the successful launch of spring/summer collection in the year under review, the Group has further expanded its product varieties and more orders are expected from its customers. As a result, orders on hand as at the date of this report amounted to approximately HK$112 million. Gross profit margin on such orders is expected to improve as raw material and labour costs begin to stabilize in recent months and the Group receives orders with higher value and better margins in the year under review. The property investment business continues to provide a steady stream of income to the Group. The Board is optimistic of the future of the Group.

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$11.4 million for the Financial Year (2010: HK$8.7 million).

As at 31st March, 2011, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK$51.9 million (2010: HK$44.7 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 31st March, 2011, 65% (2010: 42%) is repayable within the next year, 6% (2010: 30%) is repayable within the second year and the remaining 29% (2010: 28%) 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.

Liquidity and Financial Resources *(Continued)*

The ratio of current assets to current liabilities of the Group was 0.37 as at 31st March, 2011 compared to 0.37 (restated) as at 31st March, 2010. The Group's gearing ratio as at 31st March, 2011 was 0.52 (2010: 0.59) which is calculated based on the Group's total liabilities of HK$59.7 million (2010: HK$55.5 million) and the Group's total assets of HK$114.2 million (2010: HK$93.3 million). As at 31st March, 2011, the Group's total cash and bank balances amounted to HK$14.1 million compared to HK$6.4 million as at 31st March, 2010. The cash and bank balances 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 and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risks being minimized through balancing the monetary assets versus monetary liabilities, and foreign currency revenue versus foreign currency expenditure. The Group did not use any financial instrument to hedge against foreign currency risk.

Charge of Assets

As at 31st March, 2011, 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$90.3 million (2010: HK$74.5 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, 2011, the facilities utilized amounted to HK$53.9 million (2010: HK$32.7 million).

In November 2008, a subsidiary of the Company initiated a legal action in the Intermediate People's Court of JiaXing City to claim a sub-contractor based in the PRC for breach of contract and liquidated damages of approximately HK$3.2 million. The sub-contractor filed a counter-claim for sub-contracting charges plus expenses paid on behalf of the subsidiary in the sum of approximately HK$1.9 million. A trial took place in April 2009 in the said court.

A judgement was handed down by the Intermediate People's Court of JiaXing City in April 2010 in which the subsidiary was required to pay the sub-contractor a lump sum of US$200,000 and RMB13,489 to settle the case. The subsidiary appealed to the Zhejiang Provincial High Court of Appeal in May 2010. In May 2011, the subsidiary settled the case with the sub-contractor by the lump sum payment of US$128,000 to the sub-contractor. Payment was effected on 30th May, 2011 and the amount was fully provided for in the year ended 31st March, 2011.

Contingent Liabilities and Litigation *(Continued)*

Except for the foregoing, as at 31st March, 2011, the Group had no other significant contingent liabilities or pending litigation.

Employees

As of 31st March, 2011, the Group had a total of 40 employees (2010: 46 employees). The decrease in the number of employees was due to seasonal factor. Total staff costs (including directors' remuneration) for the year amounted to approximately HK$17.9 million (2010: HK$12.4 million) due to increase in salary to retain staff and the recognition as expense in respect of options granted to directors and staff during the year.

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, 2011, the Group has an aggregate of 14,532,000 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, 27th June, 2011

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, 2011 (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, and property investment.

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:

	2011	2010
	%	%
Sales		
— The largest customer	**58**	65
— Five largest customers combined	**99**	99
Purchases		
— The largest supplier	**42**	44
— Five largest suppliers combined	**79**	77

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 7.

Results and Appropriations

The results of the Group for the Financial Year are set out in the consolidated statement of comprehensive income on page 29.

The Directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2011 (2010: Nil).

Reserves

Movements in the reserves of the Group and of the Company during the Financial Year are set out in note 23 to the financial statements.

Consolidated Statement of Changes in Equity

The consolidated statement of changes in equity of the Group during the Financial Year is shown on page 33.

Donations

The Group did not make any donations during the Financial Year (2010: Nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

Investment Properties

Details of the investment properties held by the Group are set out in note 16 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company are set out in note 22 to the financial statements.

Distributable Reserves

The Company had no distributable reserves as at 31st March, 2011 (2010: 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 81.

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, 2011 are set out in note 33 to the financial statements.

Analysis of Bank Loans and Other Borrowings

The Group's bank loans and other borrowings as at 31st March, 2011 were repayable over the following periods:

	Trust receipts and other bank loans	**Other borrowings**
	HK$'000	*HK$'000*
Within one year	33,149	459
In the second year	2,890	347
In the third to fifth year inclusive	14,620	517
	50,659	1,323

Details of movement in loans from a Director are set out in note 31(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. Chau Tsun Ming, Jimmy**
Mr. Cunningham, James Patrick**
Mr. Wong Kwok Tai**

* *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. Wong Kwok Tai 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.

Connected Transactions

Details of loans from a Director are set out in note 31(b) to the financial statements. The loans from the Director constitute connected transactions under Chapter 14A of the Listing Rules. As the loans are on normal commercial terms where no security over the assets of the Company is granted in respect of such loans, the transactions are 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 60, 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 9 subsidiaries of the Group. Mr. Wong is the spouse of Ms. Pang Shu Yuk, Adeline Rita and brother of Mr. Wong Tak Yuen. As at the date hereof, Mr. Wong is deemed to be interested in 514,897,600 shares in the Company according to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

Ms. Pang Shu Yuk, Adeline Rita, aged 52, 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 and sister-in-law of Mr. Wong Tak Yuen. Ms. Pang is also the director of 8 subsidiaries of the Group. As at the date hereof, Ms. Pang is deemed to be interested in 514,897,600 shares in the Company according to Part XV of the SFO.

Non-Executive Director

Mr. Wong Tak Yuen, aged 55, has extensive experience in the PRC market for more than 20 years. He is a brother of Mr. Wong Tek Sun, Takson and brother-in-law of Ms Pang Shu Yuk, Adeline Rita. He was appointed as a non-executive director of the Company in January, 2003.

Directors and Senior Management *(Continued)*

Independent Non-executive Directors

Mr. Chau Tsun Ming, Jimmy, aged 38, 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.

Mr. Cunningham, James Patrick, aged 57, 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.

Mr. Wong Kwok Tai, aged 71, was appointed as an independent non-executive director of the Company in September 2008. Mr. Wong is a Practising Certified Public Accountant and a fellow member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in the audit and finance areas in different industries. He is the sole-proprietor of W. Wong & Co., CPA.

Mr. Wong is currently an Independent Non-Executive Director of China Power New Energy Development Company Limited, New Century Group Hong Kong Limited, Beijing Yu Sheng Tang Pharmaceutical Group Limited and China Tycoon Beverage Holdings Limited, the shares of those companies are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors and Senior Management *(Continued)*

Senior Management

Mr.Tong Yat Chong, aged 54, 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. He 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 53, 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.

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, 2011, 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

	Number of ordinary shares in the Company beneficially held				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**Percentage of holding**
Mr. Wong Tek Sun, Takson	211,799,600	17,978,000	285,120,000 *(Note)*	514,897,600	66.49%
Ms. Pang Shu Yuk, Adeline Rita	17,978,000	211,799,600	285,120,000 *(Note)*	514,897,600	66.49%

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, 2011, 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.

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, 2011, 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
Wong Tek Sun, Takson	Personal and family interest	229,777,600	29.67%
Pang Shu Yuk , Adeline Rita	Personal and family interest	229,777,600	29.67%
Wangkin Investments Inc. *(Note)*	Interest of a controlled corporation	285,120,000	36.82%
Takson International Holdings Limited *(Note)*	Beneficial owner	285,120,000	36.82%

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 are the executive Directors of the Company.

Save as disclosed above, as at 31st March, 2011, 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.

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 22(c) to the 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 2	2,000,000	—	—	(2,000,000)	—
	2009 Lot 2	5,174,000	—	(5,174,000)	—	—
	2010 Lot 1	—	7,266,000	—	—	7,266,000
Ms. Pang Shu Yuk, Adeline Rita	2007 Lot 2	2,000,000	—	—	(2,000,000)	—
	2009 Lot 2	5,174,000	—	(5,174,000)	—	—
	2010 Lot 1	—	7,266,000	—	—	7,266,000
		14,348,000	14,532,000	(10,348,000)	(4,000,000)	14,532,000
Employees	2007 Lot 4	500,000	—	(500,000)	—	—
	2009 Lot 5	700,000	—	(700,000)	—	—
	2010 Lot 1	—	200,000	(200,000)	—	—
		1,200,000	200,000	(1,400,000)	—	—
		15,548,000	14,732,000	(11,748,000)	(4,000,000)	14,532,000

Apart from the aforesaid, at no time during the Financial Year was the Company or any of its subsidiaries 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 20 to 26.

Audit Committee

The written terms of reference which describe the authority and duties of the 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, the internal controls and risk evaluation. Currently, the Audit Committee comprises two independent non-executive directors, namely, Mr. Wong Kwok Tai and Mr. Chau Tsun Ming, Jimmy, and a non-executive director, Mr. Wong Tak Yuen. Two meetings were held during the Financial 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.

Confirmation of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors, namely Mr. Chau Tsun Ming, Jimmy, Mr. Cunningham, James Patrick, and Mr. Wong Kwok Tai 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, 27th June, 2011

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, 2011 (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 maximized. 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 of the meetings of the Board.

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 the Directors on pages 12 to 14.

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. Chau Tsun Ming, Jimmy Mr. Cunningham, James Patrick Mr. Wong Kwok Tai

Two of the independent non-executive Directors possess 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 12 to 14.

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

The Board of Directors *(Continued)*

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.

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.

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, seven 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 *(Chairman)*	7/7	100%
Ms. Pang Shu Yuk, Adeline Rita	7/7	100%
Independent Non-executive Directors		
Mr. Chau Tsun Ming, Jimmy	3/7	43%
Mr. Cunningham, James Patrick	2/7	29%
Mr. Wong Kwok Tai	3/7	43%
Non-executive Director		
Mr. Wong Tak Yuen	2/7	29%

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

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, 2010 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. Wong Kwok Tai *(Chairman of the Audit Committee)*
— Mr. Chau Tsun Ming, Jimmy
— Mr. Wong Tak Yuen

Audit Committee *(Continued)*

During the Financial Year, two 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. Wong Kwok Tai	2/2	100%
Mr. Chau Tsun Ming, Jimmy	2/2	100%
Mr. Wong Tak Yuen	2/2	100%

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. Wong Kwok Tai
— Mr. Wong Tek Sun, Takson

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. Wong Kwok Tai	1/1	100%

Remuneration Committee *(Continued)*

The Remuneration Committee had considered the remuneration of the 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.

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

— Mr. Cunningham, James Patrick *(Chairman of the Nomination Committee)*
— Mr. Wong Kwok Tai
— Mr. Wong Tek Sun, Takson

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 Nomination Committee did not hold any meetings held during the Financial Year.

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$300,000 and HK$50,000 respectively.

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.

Accountability *(Continued)*

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 27 and 28 of this 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 organizational 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 29 to 80, which comprise the consolidated and Company statements of financial position as at 31st March, 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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.

Auditor's responsibility *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 affairs of the Company and of the Group as at 31st March, 2011 and of the Group's profit 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.

Cheng & Cheng Limited
Certified Public Accountants

Y.Y. Li, Alice
Practising Certificate number P03373

Hong Kong, 27th June, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2011

	Note	**2011** HK$'000	2010 HK$'000
Turnover	5	**138,805**	75,842
Cost of sales	6	**(118,698)**	(61,892)
Gross profit		**20,107**	13,950
Other income	5	**16,290**	12,139
Selling, distribution and marketing expenses	6	**(12,387)**	(7,935)
Administrative expenses	6	**(22,061)**	(15,833)
Operating profit		**1,949**	2,321
Finance costs	7	**(1,632)**	(1,863)
Profit before taxation		**317**	458
Income tax credit	10	**—**	1,848
Profit for the year		**317**	2,306
Other comprehensive income			
Exchange differences on translating foreign operations		**—**	3,104
Total comprehensive income for the year		**317**	5,410
Profit for the year attributable to:			
Equity holders of the Company		**317**	2,307
Non-controlling interests		**—**	(1)
		317	2,306
Total comprehensive income attributable to:			
Equity holders of the Company		**317**	5,411
Non-controlling interests		**—**	(1)
		317	5,410
Earning per share attributable to the equity holders of the Company			
— basic (HK cents)	12	**0.04**	0.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2011

	Note	**2011** ***HK$'000***	2010 *HK$'000* (restated)	2009 *HK$'000* (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	**7,520**	8,171	7,140
Leasehold land	*15*	**9,914**	10,187	10,459
Investment properties	*16*	**76,292**	60,088	51,544
		93,726	78,446	69,143
Current assets				
Inventories	*18*	**904**	1,450	348
Trade receivables	*19*	**350**	1,342	136
Deposits, prepayments and other receivables		**5,082**	5,654	3,524
Cash at bank and in hand	*20*	**14,125**	6,440	2,695
		20,461	14,886	6,703
Total assets		**114,187**	93,332	75,846
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*22*	**77,445**	72,671	71,740
Reserves	*23*	**(22,962)**	(34,814)	(43,825)
		54,483	37,857	27,915
Non-controlling interests		**—**	(4)	(3)
Total equity		**54,483**	37,853	27,912

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000 (restated)
LIABILITIES				
Non-current liabilities				
Bank borrowings	25	**864**	1,323	267
Long-term liabilities	26	**263**	263	263
Deferred taxation liabilities	27	**2,940**	2,940	3,788
Loans from a director	31(b)	**—**	10,200	15,766
		4,067	14,726	20,084
Current liabilities				
Trade payables	21	**1,603**	4,604	3,219
Other payables and accrued charges		**2,916**	2,992	4,272
Taxation payable		**—**	—	1,000
Bank borrowings	25	**51,118**	33,157	19,359
		55,637	40,753	27,850
Total liabilities		**59,704**	55,479	47,934
Total equity and liabilities		**114,187**	93,332	75,846
Net current liabilities		**(35,176)**	(25,867)	(21,147)
Total assets less current liabilities		**58,550**	52,579	47,996

STATEMENT OF FINANCIAL POSITION

As at 31st March, 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	17	**30,456**	24,965
Current assets			
Other receivables		**404**	404
Cash at bank and in hand	20	**11**	3
		415	407
Total assets		**30,871**	25,372
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	**77,445**	72,671
Reserves	23	**(47,324)**	(47,558)
Total equity		**30,121**	25,113
LIABILITIES			
Current liabilities			
Other payables and accrued charges		**750**	259
Total liabilities		**750**	259
Total equity and liabilities		**30,871**	25,372
Net current (liabilities)/assets		**(335)**	148
Total assets less current liabilities		**30,121**	25,113

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, 2011

	Attributable to equity holders of the Company			
	Share capital	**Reserves**	**Non-controlling interest**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April, 2009	71,740	(43,825)	(3)	27,912
Consideration received from issue of share options	—	2,880	—	2,880
Shares issued under share option scheme	931	62	—	993
	931	2,942	—	3,873
Total comprehensive income for the year	—	5,411	(1)	5,410
	931	8,353	(1)	9,283
Share-based compensation	—	658	—	658
Balance at 31st March, 2010	72,671	(34,814)	(4)	37,853
Balance at 1st April, 2010	**72,671**	**(34,814)**	**(4)**	**37,853**
Shares issued under share option scheme	**4,774**	**8,849**	**—**	**13,623**
Total comprehensive income for the year	**—**	**317**	**—**	**317**
Non-controlling interest written off	**—**	**—**	**4**	**4**
Share-based compensation	**—**	**2,686**	**—**	**2,686**
Balance at 31st March, 2011	**77,445**	**(22,962)**	**—**	**54,483**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash outflow from operating activities	24(a)	**(11,422)**	(8,722)
Investing activities			
Proceeds from disposal of property, plant and equipment		**—**	11
Purchases of property, plant and equipment		**(190)**	(1,946)
Net cash outflow from investing activities		**(190)**	(1,935)
Financing activities			
Director's loans repaid		**(10,200)**	(5,566)
Bank loans granted, net		**17,962**	13,470
(Repayment)/drawdown of obligations under finance leases, net		**(460)**	1,384
Consideration received from issue of share options		**—**	2,880
Issue of shares		**13,623**	993
Non-controlling interest written off		**4**	—
Interest paid		**(1,561)**	(1,800)
Interest element of finance lease obligations		**(71)**	(63)
Net cash inflow from financing activities		**19,297**	11,298
Net increase in cash and cash equivalents		**7,685**	641
Cash and cash equivalents at the beginning of the year		**6,440**	2,695
Effects of exchange rate changes, net		**—**	3,104
Cash and cash equivalents at the end of the year	24(b)	**14,125**	6,440

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, and property investment.

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 Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27th June, 2011.

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (which include Hong Kong Accounting Standards ("HKAS") and Interpretations), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and buildings.

The Group recorded a profit of approximately HK$317,000 for the year ended 31st March, 2011 (2010: HK$2,306,000) and had net current liabilities of approximately HK$35,176,000 as at 31st March, 2011 (2010: HK$25,867,000). The directors are taking steps to improve the Group's liquidity and financial performance including 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.

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 in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

2.1 Basis of preparation *(continued)*

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.

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

New and revised Standards, Amendments and Interpretations applied in the current year

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements and the Company's statement of financial position.

Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK — Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK — Int 5 for the first time in the current year. HK — Int 5 requires retrospective application.

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

2.1 Basis of preparation *(continued)*

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" *(continued)*

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$8,940,000 and HK$14,295,000 have been reclassified from non-current liabilities to current liabilities at 31st March 2009 and 31st March 2010 respectively.

The application of HK – Int 5 has had no impact on the reported profit or loss for the current and prior years.

Summary of the effect of the changes in accounting polices

The effects of changes in accounting policies described above on the financial position at 31st March 2009 and 31st March 2010 are as follows:

	GROUP					
	31.3.09 (originally stated) *HK$'000*	Re-classification *HK$'000*	31.3.09 (restated) *HK$'000*	**31.3.10 (originally stated)** ***HK$'000***	**Re-classification** ***HK$'000***	**31.3.10 (restated)** ***HK$'000***
Bank borrowings due within one year	10,419	8,940	19,359	**18,862**	**14,295**	**33,157**
Bank borrowings due after one year	9,207	(8,940)	267	**15,618**	**(14,295)**	**1,323**
	19,626	—	19,626	**34,480**	**—**	**34,480**

Such term bank loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 25 for details).

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

2.1 Basis of preparation *(continued)*

New and revised Standards, Amendments and Interpretations issued but not yet effective

The Group and the Company have not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[3]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1st July 2010
[3] Effective for annual periods beginning on or after 1st January 2011
[4] Effective for annual periods beginning on or after 1st July 2011
[5] Effective for annual periods beginning on or after 1st January 2012
[6] Effective for annual periods beginning on or after 1st January 2013

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

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, 2011.

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.

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

2.2 Consolidation *(continued)*

Subsidiaries *(continued)*

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 statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 17). 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.

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 profit or loss.

(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:

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

2.4 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income 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 directly in other comprehensive income.

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 recognised in other comprehensive income are recognised in the statement of comprehensive income as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated 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 included in the profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are recognised in other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are included in the profit or loss.

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

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated to write off their cost over their expected useful lives 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 the end of each reporting period.

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 statement of comprehensive income. When revalued assets are sold, the valuation surplus included in reserves is transferred to retained earnings/accumulated losses.

2.6 Leasehold land

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.

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

2.7 Investment properties *(continued)*

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 included in profit or loss during the period in which they are incurred.

Changes in fair values are included in profit or loss.

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.

If an item of property, plant and equipment and/or leasehold land 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 profit or loss.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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

2.7 Investment properties *(continued)*

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

2.8 Intangible assets

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.

2.9 Impairment of assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested at least annually for impairment. Assets 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Inventories

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

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

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

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 the receivables. Significant financial difficulties of the debtor, probability that the 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is included in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are included in profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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 included in profit or loss over the period of the borrowings using the effective interest method.

Borrowings 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 end of reporting period.

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. Summary of significant accounting policies *(continued)*

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.

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 consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period 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 utilized.

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.

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

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

2.17 Employee benefits *(continued)*

(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 end of the reporting period.

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 the end of each reporting period, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the statement of comprehensive income, 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.

2.18 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 resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions 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. Summary of significant accounting policies *(continued)*

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 recognises 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.

(c) Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of comprehensive income 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 Leases (as the leasee)

(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 statement of comprehensive income on a straight-line basis over the period of the lease.

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

2.20 Leases (as the leasee) *(continued)*

(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 capitalized 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 profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.21 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 and 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.

2.22 Equity instruments

Equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 and fair value 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 management closely monitors the foreign currency assets and liabilities to minimize the currency risk.

(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 profit after tax in response to reasonably possible changes in interest rate to which the Group has significant exposure at the end of the reporting period. In determining the effect on profit after tax on the next accounting year, management of the Company assumed that the change in interest rate had occurred at the end of the reporting period and all other variables remain constant. There is no change in the methods and assumptions used in 2011 and 2010.

3. Financial risk management *(continued)*

(c) Cash flow and fair value interest rate risk *(continued)*

	Group	
	2011	2010
	Effect on profit after tax	Effect on profit after tax
	HK$'000	*HK$'000*
HIBOR		
Increase by 100 basis point	**-507**	-375
Decrease by 100 basis point	**+507**	+375

(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.

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 property, plant and equipment and leasehold land

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 carrying 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 continuing 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 recognise an impairment loss in the statement of comprehensive income.

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

(b) Write-down of inventories

Inventories are written down to net realisable value based on an assessment of the realizability of inventories. The identification of write-down 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) 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 statement of comprehensive income in the subsequent remaining vesting period of the relevant share options.

(d) 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 recognises 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.

(e) 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

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

(e) Estimate of fair value of investment properties *(continued)*

(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.

5. Revenue and segment Information

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

	Export Business		**Property Investment**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover						
Sales of goods/rental income	**135,668**	73,101	**3,137**	2,741	**138,805**	75,842
Other income						
Income from sample sales	**42**	111	**—**	—	**42**	111
Changes in fair value of investment properties	**—**	—	**16,204**	8,544	**16,204**	8,544
Write-back of trade payables	**—**	565	**—**	—	**—**	565
Compensation received	**—**	2,340	**—**	—	**—**	2,340
Sundry income	**44**	579	**—**	—	**44**	579
	86	3,595	**16,204**	8,544	**16,290**	12,139

5. Revenue and segment Information *(continued)*

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

Export — sales of outerwear and other garments to overseas customers.

Property investment — Investing and letting of properties.

Primary reporting format — business segments

	2011		
	Export business *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Turnover	**135,668**	**3,137**	**138,805**
Segment operating (loss)/profit	**(3,334)**	**7,457**	**4,123**
Unallocated corporate expenses			**(2,174)**
Operating profit			**1,949**
Finance costs	**(1,428)**	**(204)**	**(1,632)**
Profit before taxation			**317**
Income tax expense			**—**
Profit for the year			**317**
Segment assets	**22,880**	**90,891**	**113,771**
Unallocated assets			**416**
Total assets			**114,187**
Segment liabilities	**50,578**	**8,308**	**58,886**
Unallocated liabilities			**818**
Total liabilities			**59,704**
Capital expenditure	**153**	**37**	**190**
Depreciation of property, plant and equipment	**(548)**	**(293)**	**(841)**
Amortisation of leasehold land	**—**	**(273)**	**(273)**
Changes in fair value of investment properties	**—**	**16,204**	**16,204**

5. Revenue and segment Information *(continued)*

Primary reporting format — business segments *(continued)*

	2010		
	Export business *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Turnover	73,101	2,741	75,842
Segment operating profit	2,628	4,123	6,751
Unallocated income			441
Unallocated corporate expenses			(4,871)
Operating profit			2,321
Finance costs	(1,635)	(228)	(1,863)
Profit before taxation			458
Income tax credit			1,848
Profit for the year			2,306
Segment assets	17,205	75,216	92,421
Unallocated assets			911
Total assets			93,332
Segment liabilities	45,676	9,306	54,982
Unallocated liabilities			497
Total liabilities			55,479
Capital expenditure	1,936	10	1,946
Depreciation of property, plant and equipment	(378)	(290)	(668)
Amortisation of leasehold land	—	(272)	(272)
Changes in fair value of investment properties	—	8,544	8,544

5. Revenue and segment Information *(continued)*

Secondary reporting format — geographical segments

	2011		
	Turnover *HK$'000*	**Total assets** *HK$'000*	**Capital expenditure** *HK$'000*
Hong Kong	**1,273**	**64,386**	**190**
PRC	**1,881**	**49,476**	**—**
United States of America	**88,696**	**325**	**—**
Europe	**32,876**	**—**	**—**
Canada	**10,740**	**—**	**—**
Japan	**1,331**	**—**	**—**
Others	**2,008**	**—**	**—**
	138,805	**114,187**	**190**

	2010		
	Turnover *HK$'000*	Total assets *HK$'000*	Capital expenditure *HK$'000*
Hong Kong	1,130	50,264	1,946
PRC	1,620	39,375	—
United States of America	54,341	77	—
Europe	14,154	3,616	—
Canada	4,229	—	—
Japan	331	—	—
Others	37	—	—
	75,842	93,332	1,946

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.

5. Revenue and segment Information *(continued)*

Information about major customers

Revenue from customers in the corresponding years contributing over 10% of the total sales of the Group from the export business is as follows:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**78,322**	47,185
Customer B	**33,037**	14,201

6. Operating profit

Operating profit is stated after charging the following expenses:

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**118,698**	61,892
Amortisation of leasehold land	**273**	272
Auditor's remuneration	**300**	300
Depreciation of		
owned property, plant and equipment	**527**	573
leased property, plant and equipment	**314**	95
Net exchange loss	**220**	103
Loss on disposal of property, plant and equipment	**—**	236
Operating lease rentals in respect of land and buildings	**1,425**	1,288
Staff costs, including directors' emoluments	**17,962**	12,375
Other general and administrative expenses	**13,427**	8,526
	153,146	85,660

7. Finance costs

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,417**	1,348
Interest element of finance lease obligations	**71**	63
Interest on director's loan	**144**	452
	1,632	1,863

8. Staff costs

	2011 HK$'000	2010 HK$'000
Salaries, wages and other benefits (including directors' emoluments)	**14,933**	11,380
Severance payments	**—**	98
Share-based compensation	**2,686**	658
Retirement benefit costs	**343**	239
	17,962	12,375

9. Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31st March, 2011 is set out below:

	Fee HK$'000	Salaries HK$'000	Other benefits HK$'000	Contributions to defined contribution scheme HK$'000	Total HK$'000
Wong Tek Sun, Takson	**—**	**3,025**	**2,017**	**27**	**5,069**
Pang Shu Yuk, Adeline Rita	**—**	**3,931**	**2,017**	**27**	**5,975**
Wong Tak Yuen	**240**	**—**	**—**	**—**	**240**
Chau Tsun Ming, Jimmy	**120**	**—**	**—**	**—**	**120**
Cunningham, James Patrick	**120**	**—**	**—**	**—**	**120**
Wong Kwok Tai	**120**	**—**	**—**	**—**	**120**
Total	**600**	**6,956**	**4,034**	**54**	**11,644**

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, 2010 is set out below:

	Fee *HK$'000*	Salaries *HK$'000*	Other benefits *HK$'000*	Contributions to defined contribution scheme *HK$'000*	Total *HK$'000*
Wong Tek Sun, Takson	—	2,388	438	27	2,853
Pang Shu Yuk, Adeline Rita	—	2,388	438	27	2,853
Wong Tak Yuen	240	—	—	—	240
Chau Tsun Ming, Jimmy	120	—	—	—	120
Cunningham, James Patrick	120	—	—	—	120
Wong Kwok Tai	120	—	—	—	120
Total	600	4,776	876	54	6,306

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Salaries and other benefits	**1,464**	1,297
Pensions	**46**	43
	1,510	1,340

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

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

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HK$Nil — HK$1,000,000	**3**	3

10. Income tax credit

The amount of taxation credited to the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current tax	**—**	—
Overseas taxation		
Over-provision in previous year	**—**	(1,000)
Deferred tax income	**—**	(848)
Taxation credit	**—**	(1,848)

(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 (2010: 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.

(c) At the end of the reporting period, the Group has unused tax losses of HK$142,911,000 (2010: HK$126,167,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit stream.

10. Income tax credit *(continued)*

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**317**	458
Tax at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**54**	79
Effect of different taxation rates in other countries	**—**	(1)
Income not subject to taxation	**(1,604)**	(1,319)
Expenses not deductible for taxation purposes	**65**	160
Temporary differences previously not recognised	**14**	(803)
Unrecognised tax losses	**2,879**	1,452
Temporary differences not recognised	**(1,408)**	(416)
Over-provision in previous year	**—**	(1,000)
Income tax credit	**—**	(1,848)

11. 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$11,301,000 (2010: HK$8,798,000)

12. Earnings per share

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

	2011	2010
Profit attributable to the equity holders of the Company (HK$'000)	**317**	2,307
Weighted average number of ordinary shares in issue (thousands)	**737,964**	722,598
Basic earnings per share (HK cents)	**0.04**	0.32

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

13. Retirement benefit costs

The retirement benefit costs charged to the consolidated statement of comprehensive income represent gross contributions payable by the Group to the retirement scheme of HK$343,000 (2010: HK$317,000) less forfeited contributions utilized of HK$Nil (2010: HK$78,000). Contributions of HK$34,000 (2010: HK$56,000) were payable to the scheme at the year end and are included in current liabilities within accrued charges. As at 31st March, 2011, there were no unutilised forfeited contributions (2010: Nil).

14. Property, plant and equipment

	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*
At 31st March, 2009							
Cost or valuation	5,236	1,909	3,761	285	3,428	4,840	19,459
Accumulated depreciation	(924)	(1,112)	(3,427)	(216)	(2,270)	(4,370)	(12,319)
Net book amount	4,312	797	334	69	1,158	470	7,140
Year ended 31st March, 2010							
Opening net book amount	4,312	797	334	69	1,158	470	7,140
Additions	—	10	—	81	1,695	160	1,946
Disposals	—	—	—	—	(247)	—	(247)
Depreciation	(111)	(171)	(50)	(14)	(191)	(131)	(668)
Closing net book amount	4,201	636	284	136	2,415	499	8,171
At 31st March, 2010							
Cost or valuation	5,236	1,919	3,761	366	3,689	5,000	19,971
Accumulated depreciation	(1,035)	(1,283)	(3,477)	(230)	(1,274)	(4,501)	(11,800)
Net book amount	4,201	636	284	136	2,415	499	8,171

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

	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*
Year ended 31st March, 2011							
Opening net book amount	**4,201**	**636**	**284**	**136**	**2,415**	**499**	**8,171**
Additions	**—**	**37**	**37**	**31**	**—**	**85**	**190**
Depreciation	**(111)**	**(176)**	**(46)**	**(23)**	**(362)**	**(123)**	**(841)**
Closing net book amount	**4,090**	**497**	**275**	**144**	**2,053**	**461**	**7,520**
At 31st March, 2011							
Cost or valuation	**5,236**	**1,956**	**3,798**	**397**	**3,689**	**5,085**	**20,161**
Accumulated depreciation	**(1,146)**	**(1,459)**	**(3,523)**	**(253)**	**(1,636)**	**(4,624)**	**(12,641)**
Net book amount	**4,090**	**497**	**275**	**144**	**2,053**	**461**	**7,520**

(a) Buildings were pledged to secure certain banking facilities (Note 28) granted to the Group.

(b) As at 31st March, 2011, the net book value of motor vehicles includes assets held by the Group under finance leases which amounted to HK$1,780,000 (2010: HK$2,094,000).

(c) The Group's buildings were last revalued on 31st March, 2011 by an independent valuer. Valuations were carried out by RHL Appraisal Limited, an independent firm of The Hong Kong Institute of Surveyors. If the buildings were stated on the historical cost basis, the amounts would be as follows:

	2011	2010
	HK$'000	*HK$'000*
Cost	**5,524**	5,524
Accumulated depreciation	**(1,430)**	(1,319)
Net book amount	**4,094**	4,205

15. Leasehold land

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of between 10 to 50 years		
At the beginning of the year	**10,187**	10,459
Amortisation	**(273)**	(272)
At the end of the year	**9,914**	10,187

Leasehold land were pledged to secure certain banking facilities (Note 28) granted to the Group.

16. Investment properties

	Group	
	2011	2010
	HK$'000	*HK$'000*
Beginning of the year	**60,088**	51,544
Fair value gains included in profit or loss	**16,204**	8,544
End of the year	**76,292**	60,088

(a) Investment properties were revalued as at 31st March, 2011 on the basis of their open market value by RHL Appraisal Limited, an independent firm of The Hong Kong Institute of Surveyors. The revaluation gain recognised in the profit or loss for the year ended 31st March, 2011 amounted to HK$16,204,000 (2010: HK$8,544,000).

(b) The investment properties were pledged to secure certain banking facilities (Note 28) granted to the Group.

17. Interests in subsidiaries

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares/investments at cost	**68,511**	68,511
Amounts due from subsidiaries	**30,441**	24,950
	98,952	93,461
Less: Provision for impairment losses	**(68,496)**	(68,496)
	30,456	24,965

(a) Particulars of the subsidiaries of the Group are set out in note 33 to the financial statements.

(b) Amounts due from subsidiaries are unsecured, interest-free and not repayable within next twelve months from the end of the reporting period.

18. Inventories

	Group	
	2011	2010
	HK$'000	*HK$'000*
Raw materials	**538**	294
Work in progress	**207**	886
Finished goods	**159**	270
	904	1,450

19. Trade receivables

The ageing analysis of trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current	**323**	990
1 to 3 months	**—**	337
Over 3 months	**27**	15
	350	1,342

19. Trade receivables *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances

Trade receivables as at 31st March, 2011 and 31st March, 2010 were all denominated in US dollars.

Majority of the Group's export sales are generally on open account of 45 days and letter of credit at sight.

20. Bank balances and cash

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**14,125**	6,440	**11**	3

Bank balances and cash are denominated in the following currencies:

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
US dollars	**21**	1,538	**—**	—
Renminbi	**21**	2	**—**	—
Hong Kong dollars	**14,073**	4,890	**11**	3
Euros and others	**10**	10	**—**	—
	14,125	6,440	**11**	3

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 PRC.

21. Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current	**383**	2,146
1 to 3 months	**199**	1,817
4 to 6 months	**—**	2
Over 6 months	**1,021**	639
	1,603	4,604

Trade payables as at 31st March, 2011 and 31st March, 2010 were all denominated in US dollars.

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

22. Share capital

(a) Authorised and issued capital

	Number of shares	**Ordinary shares**
		HK$'000
Authorised:		
At 31st March, 2011 and 2010		
Ordinary shares of HK$0.1 each	3,000,000,000	300,000
Issued and fully paid:		
At 31st March, 2010	726,708,000	72,671
New issue during the year	47,748,000	4,774
At 31st March, 2011	774,456,000	77,445

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.

22. 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 maximising the return to shareholders through the optimization 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.

(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.

22. 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 *HK$*	Fair value at grant date *HK$*
2007 Lot 2	28/12/06	28/12/08 to 27/12/10	0.413	0.161
2009 Lot 2	14/01/09	28/12/09 to 27/12/10	0.115	0.041
2009 Lot 4	27/04/09	27/04/09 to 26/04/12	0.107	0.052
2009 Lot 5	27/04/09	27/04/10 to 26/04/12	0.107	0.052
2010 Lot 1	01/04/10	01/01/11 to 31/12/12	0.325	0.182

The fair value of the share options granted during the Financial Year is HK$0.182 (2010: HK$0.052) 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 31st March, 2011 and 31st March, 2010 under the Company's share option schemes are as follows:

Year ended 31 March 2011

Option type	Outstanding at 1/4/2010	Granted during year	Exercised during year	Forfeited during year	Outstanding at 31/3/2011
2007 Lot 2	4,000,000	—	—	(4,000,000)	—
2009 Lot 2	10,348,000	—	(10,348,000)	—	—
2009 Lot 4	500,000	—	(500,000)	—	—
2009 Lot 5	700,000	—	(700,000)	—	—
2010 Lot 1	—	14,732,000	(200,000)	—	14,532,000
	15,548,000	14,732,000	(11,748,000)	(4,000,000)	14,532,000

22. Share capital *(continued)*

(c) Share option scheme *(continued)*

Year ended 31 March 2010

Option type	Outstanding at 1/4/2009	Granted during year	Exercised during year	Forfeited during year	Outstanding at 31/3/2010
2007 Lot 1	6,755,000	—	—	(6,755,000)	—
2007 Lot 2	4,000,000	—	—	—	4,000,000
2008 Lot 1	2,340,000	—	—	(2,340,000)	—
2009 Lot 1	4,008,000	—	(4,008,000)	—	—
2009 Lot 2	10,348,000	—	—	—	10,348,000
2009 Lot 3	—	5,000,000	(5,000,000)	—	—
2009 Lot 4	—	900,000	(300,000)	(100,000)	500,000
2009 Lot 5	—	900,000	—	(200,000)	700,000
	27,451,000	6,800,000	(9,308,000)	(9,395,000)	15,548,000

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$2,686,000 (2010: HK$336,000) of which approximately HK$2,686,000 was recognised in the profit or loss for the year ended 31st March, 2011 (2010: HK$329,000). The significant inputs into the model are as follows:

			Option type		
	2007 Lot 2	2009 Lot 2	2009 Lot 4	2009 Lot 5	**2010 Lot 1**
Grant date share price	0.39	0.115	0.107	0.107	**0.305**
Exercise price	0.413	0.115	0.107	0.107	**0.325**
Expected volatility	61.17%	66.25%	107.62%	107.62%	**103.96%**
Option life	3 years	1.95 years	3 years	3 years	**2.75 years**
Dividend yield	0.00%	0.00%	0.00%	0.00%	**0.00%**
Risk free interest rate	3.598%	0.44%	1.098%	1.098%	**1.118%**

23. Reserves

(a) Group

	Share Premium (Note a) HK$'000	Revaluation Reserve (Note c) HK$'000	Share Option Reserve (Note d) HK$'000	Share-based Compensation Reserve (Note e) HK$'000	Consolidation Reserve (Note f) HK$'000	Translation Reserve (Note g) HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 1st April 2009	56,973	9,276	—	2,328	2,214	(4,092)	(110,524)	(43,825)
Issue of share options	—	—	2,880	—	—	—	—	2,880
Issue of shares from exercise of share options	62	—	—	—	—	—	—	62
Share-based compensation								
— issued during the year	—	—	—	658	—	—	—	658
— forfeited during the year	—	—	—	(1,475)	—	—	1,475	—
	62	—	2,880	(817)	—	—	1,475	3,600
Profit for the year	—	—	—	—	—	—	2,307	2,307
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	—	—	—	—	3,104	—	3,104
Total comprehensive income for the year	—	—	—	—	—	3,104	2,307	5,411
Balance at 31st March, 2010	57,035	9,276	2,880	1,511	2,214	(988)	(106,742)	(34,814)
Balance at 1st April, 2010	**57,035**	**9,276**	**2,880**	**1,511**	**2,214**	**(988)**	**(106,742)**	**(34,814)**
Issue of shares from exercise of share options	**9,751**	**—**	**—**	**(902)**	**—**	**—**	**—**	**8,849**
Share-based compensation								
— issued during the year	**—**	**—**	**—**	**2,686**	**—**	**—**	**—**	**2,686**
— forfeited during the year	**—**	**—**	**—**	**(643)**	**—**	**—**	**643**	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**317**	**317**
Balance at 31st March, 2011	**66,786**	**9,276**	**2,880**	**2,652**	**2,214**	**(988)**	**(105,782)**	**(22,962)**

23. Reserves *(continued)*

(b) Company

	Share Premium *(Note a)* *HK$'000*	Contributed Surplus Reserve *(Note b)* *HK$'000*	Share-based Compensation Reserve *(Note e)* *HK$'000*	Share Option Reserve *(Note d)* *HK$'000*	Accumulated Losses *HK$'000*	Total *HK$'000*
Balance at 1st April, 2009	56,973	67,992	2,328	—	(169,653)	(42,360)
Share-based compensation						
— issued during the year	—	—	658	—	—	658
— forfeited during the year	—	—	(1,475)	—	1,475	—
Issue of share options	—	—	—	2,880	—	2,880
Issue of shares from exercise of share options	62	—	—	—	—	62
Total comprehensive loss for the year	—	—	—	—	(8,798)	(8,798)
Balance at 31st March, 2010	57,035	67,992	1,511	2,880	(176,976)	(47,558)
Balance at 1st April, 2010	**57,035**	**67,992**	**1,511**	**2,880**	**(176,976)**	**(47,558)**
Share-based compensation						
— issued during the year	**—**	**—**	**2,686**	**—**	**—**	**2,686**
— forfeited during the year	**—**	**—**	**(643)**	**—**	**643**	**—**
Issue of shares from exercise of share options	**9,751**	**—**	**(902)**	**—**	**—**	**8,849**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(11,301)**	**(11,301)**
Balance at 31st March, 2011	**66,786**	**67,992**	**2,652**	**2,880**	**(187,634)**	**(47,324)**

23. Reserves *(continued)*

Nature and purpose of reserves

a) Share premium
The application of the share premium is governed by section 40 of the Companies Act 1981 of Bermuda.

b) Contributed surplus reserve
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 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.

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 option reserve
It represents premium received from issuance of share options.

e) Share-based compensation reserve
It represents cumulative expenses recognised on the granting of share options to the employees over the vesting period.

f) 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 reorganization.

g) 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).

24. Notes to the Consolidated Statement of Cash Flows

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**317**	458
Amortisation of leasehold land	**273**	272
Depreciation of owned property, plant and equipment	**527**	573
Depreciation of property, plant and equipment held under finance leases	**314**	95
Loss on disposal of property, plant and equipment	**—**	236
Changes in fair value of investment properties	**(16,204)**	(8,544)
Share-based compensation expense	**2,686**	658
Interest on bank loans and overdrafts	**1,417**	1,348
Interest element of finance lease obligations	**71**	63
Other interest expenses	**144**	452
Operating loss before working capital changes	**(10,455)**	(4,389)
Decrease/(increase) in inventories	**546**	(1,102)
Decrease/(increase) in trade receivables, deposits, prepayments and other receivables	**1,564**	(3,336)
(Decrease)/increase in trade payables, other payables and accrued charges	**(3,077)**	105
Net cash outflow from operations	**(11,422)**	(8,722)

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Cash at bank and in hand *(Note 20)*	**14,125**	6,440

25. Bank borrowings

(a) At 31st March, 2011, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group		
	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Obligations under finance leases	**1,323**	1,783	399
Bank loans — secured	**50,659**	32,697	19,227
	51,982	34,480	19,626
Obligations under finance leases repayable			
Within one year	**459**	460	132
Between one and two years	**347**	459	141
Between two and five years	**517**	864	126
	1,323	1,783	399
Secured bank loans that contain a repayable on demand clause			
— repayable within one year	**33,149**	18,402	10,287
— repayable after one year (shown under current liabilities)	**17,510**	14,295	8,940
	51,982	34,480	19,626
Amount repayable within one year included under current liabilities	**(51,118)**	(33,157)	(19,359)
Amount repayable after one year	**864**	1,323	267

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

	2011	2010
	HK$'000	*HK$'000*
Hong Kong dollars	**33,821**	24,378
United States dollars	**18,161**	10,102
	51,982	34,480

25. Bank borrowings *(continued)*

(c) The effective interest rates for the Group's bank loans at the end of the reporting period were as follows:

	2011	2010
Hong Kong dollars	**3.1%**	3.58%
United States dollars	**2.5%**	2.39%

26. Long-term liabilities

	Group	
	2011	2010
	HK$'000	*HK$'000*
Non-current		
Post employment benefits	**263**	263
Total long-term liabilities	**263**	263

27. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2010: 16.5%) for the subsidiaries operating in Hong Kong. Deferred taxation for subsidiaries operating in overseas is calculated at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The movements on the deferred tax liabilities are as follows:

	HK$'000
Deferred tax liabilities	
At 1st April, 2009	3,788
Credited to the consolidated statement of comprehensive income	(848)
At 31st March, 2010	2,940
At 1st April, 2010	**2,940**
Credited to the consolidated statement of comprehensive income	**—**
At 31st March, 2011	**2,940**

No deferred tax assets are recognised for tax losses carry forward as future taxable profits are unpredictable, even though they may be carried forward indefinitely.

28. Banking facilities

As at 31st March, 2011, the Group's banking facilities amounting to approximately HK$76,667,000 (2010: HK$63,667,000) 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$90,296,000 (2010: approximately HK$74,476,000); and

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

29. Contingent liabilities

(a) The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised as at 31st March, 2011 amounted to HK$53,899,000 (2010: HK$32,697,000).

(b) In November 2008, a subsidiary of the Company initiated a legal action in the Intermediate People's Court of JiaXing City to claim a sub-contractor based in the PRC for breach of contract and liquidated damages of approximately HK$3.2 million. The sub-contractor filed a counter-claim for sub-contracting charges plus expenses paid on behalf of the subsidiary in the sum of approximately HK$1.9 million. A trial took place in April 2009 in the said court.

A judgement was handed down by the Intermediate People's Court of JiaXing City in April 2010 in which the subsidiary was required to pay the sub-contractor a lump sum of US$200,000 and RMB13,489 to settle the case. The subsidiary appealed to the Zhejiang Provincial High Court of Appeal in May 2010. In May 2011, the subsidiary settled the case with the sub-contractor by the lump sum payment of US$128,000 to the sub-contractor. Payment was effected on 30th May, 2011 and the amount was fully provided for in the year ended 31st March, 2011.

Except for the foregoing, as at 31st March, 2011, the Group had no other significant contingent liabilities or pending litigation.

30. Commitments

(a) Capital commitments

As at 31st March, 2011, the Group had the following capital commitments which are contracted but not provided for:

	2011	2010
	HK$'000	*HK$'000*
Purchase of property, plant and equipment	**—**	3

The Company had no other material capital commitments as at 31st March, 2011 and 2010.

(b) Commitments under operating leases

(i) At 31st March, 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2011	2010
	HK$'000	*HK$'000*
Not later than one year	**85**	1,400
Later than one year and not later than five years	**—**	207
	85	1,607

(ii) At 31st March, 2011, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	2011	2010
	HK$'000	*HK$'000*
Not later than one year	**2,916**	2,511
Later than one year and not later than five years	**1,008**	888
	3,924	3,399

31. 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.

(a) Key management compensation

	Group	
	2011	2010
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**11,044**	5,706

(b) Loans from a director

Loans from a director on the Group's consolidated statement of financial position 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.

32. Events after the reporting period

In November 2008, a subsidiary of the Company initiated a legal action in the Intermediate People's Court of JiaXing City to claim a sub-contractor based in the PRC for breach of contract and liquidated damages of approximately HK$3.2 million. The sub-contractor filed a counter-claim for sub-contracting charges plus expenses paid on behalf of the subsidiary in the sum of approximately HK$1.9 million. A trial took place in April 2009 in the said court.

A judgement was handed down by the Intermediate People's Court of JiaXing City in April 2010 in which the subsidiary was required to pay the sub-contractor a lump sum of US$200,000 and RMB13,489 to settle the case. The subsidiary appealed to the Zhejiang Provincial High Court of Appeal in May 2010. In May 2011, the subsidiary settled the case with the sub-contractor by the lump sum payment of US$128,000 to the sub-contractor. Payment was effected on 30th May, 2011 and the amount was fully provided for in the year ended 31st March, 2011.

33. Particulars of Subsidiaries

The subsidiaries of the Group at 31st March, 2011 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
Interest held directly				
Global Sportswear Inc.	British Virgin Islands ("BVI")	Investment holding	1 ordinary share of US$1 each	100%
Takson (B.V.I.) Limited	BVI	Investment holding	1,000 ordinary shares of US$1 each	100%
First Equity Global Limited	BVI	Investment holding	80 ordinary shares of US$1 each	100%
Interest held indirectly				
Global Sports Limited	Hong Kong	Inactive	1 ordinary share of HK$1 each	100%
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of outerwear garments, property holding in the PRC and provision of management and accounting services to fellow subsidiaries	20 ordinary shares of HK$10,000 each	100%
Takson China Investment Limited	Hong Kong	Inactive	1 ordinary share of HK$1 each	100%
Takson Properties Limited	BVI	Properties holding in Hong Kong	1 ordinary share of US$1 each	100%
Takson Sourcing Limited	Hong Kong	Sourcing, subcontracting and selling of garments	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: ^ Sino-foreign equity joint venture enterprise

34. Comparative figures

Bank borrowings of HK$14,295,000 at 31st March, 2010 (31st March, 2009: HK$8,940,000) were reclassified from non-current liabilities to current liabilities in order to conform with the current year's presentation.

35. Immediate and ultimate controlling party

At 31st March, 2011, the directors consider the immediate parent of the Group to be Takson International Holdings Limited and ultimate controlling party of the Group to be Wangkin Investments Inc., which are both incorporated in the British Virgin Islands. These entities did not produce financial statements available for public use.

FIVE-YEAR FINANCIAL SUMMARY

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

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**138,805**	75,842	62,585	117,856	138,105
Profit/(loss) attributable to equity holders	**317**	2,307	11,728	(46,106)	(35,827)
Assets and Liabilities					
Total assets	**114,187**	93,332	75,846	88,343	133,869
Total liabilities	**(59,704)**	(55,479)	(47,934)	(104,774)	(112,078)
Net assets/(liabilities)	**54,483**	37,853	27,912	(16,431)	21,791

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31st March, 2011 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, Hunghom, Kowloon, Hong Kong	9,853	Commercial	Medium Lease
中華人民共和國上海市延安西路726號華敏翰尊國際大厦東樓23層E室、F室、G室、H室、I室及L室	11,116	Commercial	Medium Lease