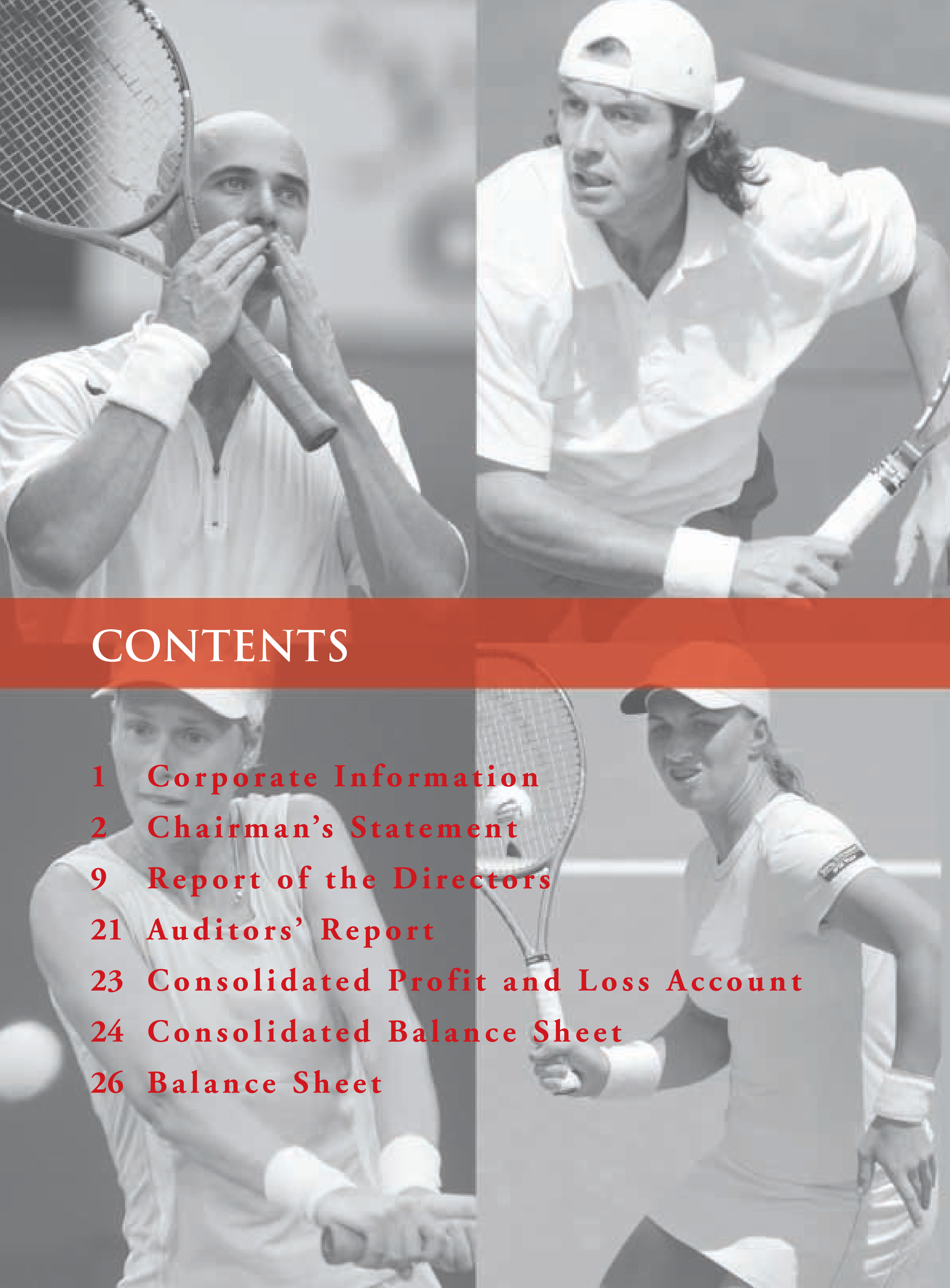


CONTENTS

TAKSON HOLDINGS LIMITED

CORPORATE INFORMATION

Directors

Executive Directors:
Wong Tek Sun, Takson
Pang Shu Yuk, Adeline Rita

Non-Executive Directors:
Tsao Kwang Yung, Peter (Deceased)
Lee Kwok Cheung
Wong Tak Yuen
Chau Tsun Ming, Jimmy
Zheng Jie

Secretary

Hui Chong Ki, Lawrence

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

5th Floor, South Wing
Harbour Centre, Tower One
1 Hok Cheung Street
Hunghom, Kowloon
Hong Kong

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited
Citibank N.A.
Bank of China (Hong Kong) Limited

Solicitors

Bermuda:
Conyers Dill & Pearman

Hong Kong:
Woo, Kwan, Lee & Lo

Share Registrars and Transfer Offices

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

Hong Kong:
Abacus Share Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

Group Results

During the year ended 31st March, 2005 (the "Financial Year"), the Group has recorded a turnover of approximately HK$110.6 million, representing a decrease of 47% as compared to approximately HK$208.2 million recorded in last year. Gross profit margin achieved 28%, compared to 10% in last year. Profit attributable to shareholders amounted to HK$1.2 million compared to loss of HK$17.5 million last year.

Business Overview

Export Outerwear Business

For the financial year, Management has implemented the strategy of focusing on high margin customers that offered higher prices for quality products and services. Although the reduced customer base caused export sales to drop 51% from HK$205.4 million in 2003/04 to HK$100.8 million in 2004/05, the gross margin has significantly increased to 25% in this year, a big improvement of 15 percentage points from last year's 10%. With the establishment of a joint venture manufacturing facilities in Suzhou, PRC in February 2005, our strength in production capability and quality control would be much enhanced to attract more quality-demanding customers.

Licensee Business

Since 2002, the Group has been the exclusive licensee in manufacturing, marketing and distribution of HEAD® apparel in PRC, Hong Kong and Macau. At the end of the Financial Year, we have 20 shops (10 shops at 2004 year end) in prime locations of major cities in PRC, and 3 shops in Hong Kong. HEAD® is a world market leader in rackets and winter sports equipment, especially for tennis rackets and ski equipment.

CHAIRMAN'S STATEMENT

Starting from 1st January, 2005, the Group has also become the exclusive licensee of Diadora for production and sales of apparel, footwear and accessories in PRC, Hong Kong and Macau. Diadora is a well-known Italian brand in footwear and apparel, especially for soccer.

Establishment of Joint Venture Production Plant in PRC

In February 2005, the Group established a Joint Venture Company in Suzhou for the manufacture, export and sale of various types of garment and accessories. The total investment amount is RMB10,000,000 with the Group taking on 55% equity share, and the remaining 45% share by Chongqing Union-4 Garment Manufacturing Company Limited. The Joint Venture Company is a subsidiary of the Company as the Group controls the majority of the Board.

The formation of the Joint Venture Company will enable the Group to expand its operations and production capacity in the PRC in order to meet the customers' needs. The setting up of the factory in Suzhou will provide the Company with a reliable source of supply for the Group's growing licensee business in the PRC. Chongqing Union-4 has the expertise in running garment manufacturing operations in the PRC and will bring to the Joint Venture Company a team of well-trained skilful workers.

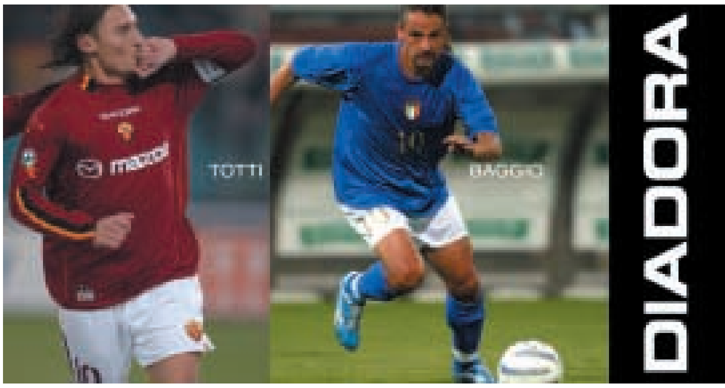
Financial Review

During the year under review, the Group has recorded a turnover of approximately HK$110.6 million as compared to HK$208.2 million last year, representing a decrease of approximately 47%. The turnover for the export business was approximately HK$100.8 million (2004: HK$205.4 million) while the turnover for the retail division was approximately HK$9.8 million (2004: HK$2.8 million). The decrease in turnover of the export division was a result of our strategy to align high-margin customers to our strength in producing premium quality product and services. The significant increase in turnover of retail division was mainly brought about by the HEAD® retail shop expansion in PRC.

In terms of gross profit margin, the export division recorded a gross margin of approximately 25% (2004: 10%) while the gross margin of the retail division was 59% (2004: 36%). The significant improvement of gross margin for export division was due to our switch to high-end customers. Increase of retail division gross margin was due to sourcing locally in the PRC rather than imported from overseas.

Due to the increased HEAD® retail outlets, and preparation for the expansion of the licensee business, the administrative expenses increased by 15% to approximately HK$39.6 million from last year of approximately HK$34.3 million, and distribution costs increased by 56% to approximately HK$12.3 million as compared to approximately HK$7.8 million in last year.

Prospects



The PRC economy is forecasted to continue growing at 7% to 8% (GDP growth) from 2004 to 2008. Entry to WTO would progressively improve the trading environment in the long term. The sports industry in PRC is particularly growing rapidly as the quality of life in the mainland is improving, and people are spending more time in sports for health and entertainment reasons. Good results of Chinese athletes in world competition and the 2008 Olympics are adding momentum to the growth. Many international sports organizations are including PRC as a place to hold their major competitions and events. Management has the vision that the Group can leverage the brand power of HEAD® and Diadora to capture the growth opportunities in the target segments of the PRC sports market, and that the brand business would be the engine of growth for the Group next year and for the long term.

One key international tennis tournament, the ATP Tour Master Cup, is to be held in Shanghai for a consecutive three years, starting November 2005. Although tennis is still a sport for the middle class in PRC, the sport is growing strongly and gaining popularity, especially after the winning of a 2004 Olympics Gold Medal in women's double.

CHAIRMAN'S STATEMENT

In addition to the apparel licensee, our Group has also been granted the exclusive distributorship of HEAD® rackets, accessories and winter sports equipment in PRC, Hong Kong and Macau with effective from 1st July, 2005. With the full range HEAD® products, and in leveraging the world leading position of HEAD® in tennis rackets, the Group expects to bring HEAD® to the next level of growth in the PRC market.

Soccer is one of the most popular sports in PRC. Diadora is an already well-known footwear brand in PRC in the soccer and lifestyle categories. The Group believes that by re-launching Diadora as an Italian brand with style, function and quality, there is a lot of opportunities for growth of Diadora in the PRC footwear and sportswear market.

Export Outerwear Business

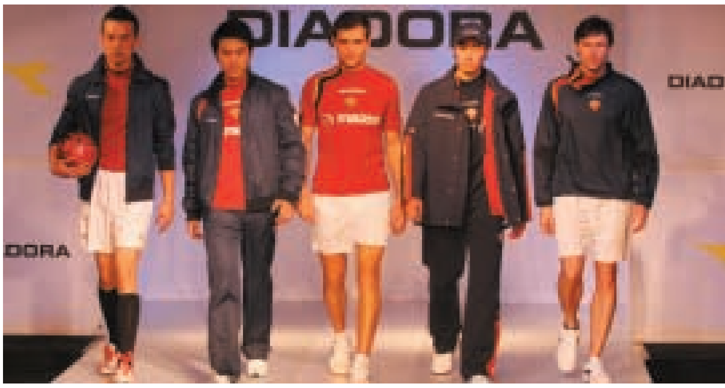
2004/05 was a year of consolidation for the Export business based on our strategy to select those high-end customers with better profit margin. The Group would continue this strategy by increasing sales from the existing high end customers, to expand the customer base in this category, and to increase our product line beyond outerwear. With our core strength in manufacturing high-end apparels, and with our newly established joint-venture production facilities, the Group is well-positioned and has the needed resources to achieve this objective.

Licensee Business

In March 2005, our Group participated with HEAD® and Diadora in the International Sports Expo (the "ISPO") held in Shanghai. The Group used this occasion to promote the new image of HEAD® and Diadora and to introduce the Group to the channel distributors. During the ISPO, the Group had received much publicity and received many enquires showing their interests in dealing the HEAD® and Diadora products in different cities all over the PRC. Our retail strategy for the brand business is to work with channel partners to open franchised shops in order to achieve fast expansion, but without having the Group to invest in the shop fixed assets and operating costs. The Group would focus its resources in product sourcing, design, marketing and promotion, brand-building and channel management.

Subsequent sales meeting for HEAD® and Diadora had been held in April and June 2005 respectively in Shanghai, in which we invited key channel partners all over PRC to watch our product lines, and to place orders for the fall/winter season. The sales meetings were well-received by the channel, with over 20 Diadora distributors placing orders for about RMB13 million (at wholesale value including VAT), and over 50 HEAD® distributors placing orders for about RMB16 million (at wholesale value including VAT). Management expects that the second sales meetings in September/October 2005 would bring more customers and bigger sales amount.

Costs Management



With the establishment of the manufacturing Joint Venture Company, management expects that production costs would be better managed and controlled which would benefit both the export and licensee apparel business. On the other hand, as the HEAD® and Diadora licensee businesses are growing and gaining economy of scale, the Group can leverage and share its existing infrastructure and back-end support resources among the various lines of business without incurring too much incremental fixed costs. Management has also implemented tight cost saving measures as one of the key drivers of profitability for the coming year.

Liquidity and Financial Resources

The Group generally finances its operations with its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash flow used in operation amounted to approximately HK$18.6 million for the year ended 31st March, 2005.

The Group's net borrowings representing bank loans, overdrafts, obligations under finance leases and an interest-free director's loan amounted to approximately HK$37,237,000 (2004: HK$19,166,000). Of the total amounts of bank loans, overdrafts and obligations under finance leases outstanding as at the year end, 73% (2004: 83%) are repayable within the next year, 6% (2004: 11%) are repayable within the second year with the remaining balance repayable in the third to fifth year, inclusive. The Group's bank loans and overdrafts are subject to floating interest rates while obligations under finance leases are at fixed interest rates.

CHAIRMAN'S STATEMENT

The ratio of current assets to current liabilities of the Group was 0.7 at 31st March, 2005 compared to 1.5 at 31st March, 2004. The Group's gearing ratio at 31st March, 2005 was 0.7 (2004: 0.5) which is calculated based on the Group's total liabilities of approximately HK$45,938,000 (2004: HK$26,162,000) and the shareholders' funds of approximately HK$64,443,000 (2004: HK$50,575,000). As at 31st March, 2005, the Group's cash and bank balances amounted to approximately HK$10,328,000 compared to approximately HK$24,977,000 at 31st March, 2004. The cash and bank balances together with available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements. A rights issue (one rights share for every five existing shares) in May 2005 that raised net proceeds of about HK$7.2 million had been partly used to finance the investment in the Joint Venture Company in Suzhou, and partly used to invest in the new licensee business.

ISPOCHINA
March 14-17 2005 Shanghai

As the Group's earnings and borrowings are primarily denominated in United States dollars, Hong Kong dollars and Renminbi, it has no significant exposure to foreign exchange rate fluctuations.

Charge of Assets

As at 31st March, 2005, the investment properties and leasehold land and buildings in Hong Kong and PRC held by the Group with an aggregate carrying value of HK$75,618,000 (2004: HK$28,781,000) were pledged as first legal charge for the Group's banking facilities.

Employees

As of 31st March, 2005, the Group had a total of approximately 240 employees. This compared to 165 employees as of 31st March, 2004. The increase in the number of employees was due to the expansion of HEAD®'s licensee business. Staff costs including directors' remuneration totalled approximately HK$22.2 million and HK$20.5 million for the year ended 31st March, 2005 and 2004, respectively.

The Group remunerates its employees primarily based on industry practices, including contributory provident funds, insurance and medical benefits. The Group has also adopted a discretionary bonus programme for management and staff with awards determined annually based upon the performance of the Group and individual employees. Moreover, the Group is considering to adopt a new share option scheme of the Company for the purpose of providing incentives or rewards to the eligible participants for their contributions 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 staff for their dedication.

ISPOCHINA

Wong Tek Sun, Takson
Chairman

Hong Kong, 25th July, 2005

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March, 2005.

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.

An analysis of the Group's results, assets and liabilities by business and geographical segment is set out in note 2 to the accounts.

Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

	2005	2004
	%	%
Sales		
— the largest customer	**33**	47
— five largest customers combined	**85**	94
Purchases		
— the largest supplier	**29**	49
— five largest suppliers combined	**74**	95

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

Analysis of the Group's Performance

An analysis of the Group's performance is shown in the Chairman's Statement on pages 2 to 8.

REPORT OF THE DIRECTORS

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 23.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2005 (2004: HK$Nil).

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$290,000 (2004: HK$39,000).

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

Investment Properties

Details of the investment properties held by the Group are set out on page 68.

Share Capital

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

Distributable Reserves

The Company had no distributable reserves as at 31st March, 2005 (2004: HK$Nil).

REPORT OF THE DIRECTORS

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 67.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Subsidiaries

Particulars of the Company's subsidiaries as at 31st March, 2005 are set out in note 29 to the accounts.

Analysis of Bank Loans, and Other Borrowings

The Group's bank loans and other borrowings as at 31st March, 2005 are repayable over the following periods:

	Trust receipts and other bank loans	**Other borrowings**
	HK$'000	*HK$'000*
Within one year	24,888	2,855
In the second year	1,873	324
In the third to fifth year inclusive	7,297	—
	34,058	3,179

REPORT OF THE DIRECTORS

Directors

The directors during the year were:

Mr. Wong Tek Sun, Takson *(Chairman)*
Ms. Pang Shu Yuk, Adeline Rita
Mr. Tsao Kwang Yung, Peter* *(deceased)*
Mr. Lee Kwok Cheung*
Mr. Wong Tak Yuen**
Mr. Zheng Jie*
Mr. Chau Tsun Ming, Jimmy* *(appointed on 21st July, 2005)*

* *independent non-executive directors*
** *non-executive director*

All the directors of the Company except the Chairman are subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with clause 87 of the Company's Bye-laws.

In accordance with the Company's Bye-laws, Ms. Pang Shu Yuk, Adelina Rita, retires by rotation and, being eligible, offers herself for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita has 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 director proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company.

REPORT OF THE DIRECTORS

Directors and Senior Management

Biographical details of directors and senior management of the Group are shown below:

Executive Directors

Mr. Wong Tek Sun, Takson, age 54, is 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 the development of corporate planning and strategy, sales and marketing and overall management of the Group.

Ms. Pang Shu Yuk, Adeline Rita, age 46, is Deputy Chairman and Chief Operations Officer of the Group and oversees 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 the Hong Kong Polytechnic University. She joined the Group in 1983 and is the wife of Mr. Wong Tek Sun, Takson.

Non-Executive Directors

Mr. Lee Kwok Cheung, age 56, is a director of Management Capital Limited, a company engaged in the business of direct investment and financial advisory. From 1994 to 1995, Mr. Lee was the chief executive of Polytec Holdings Limited, a textile and real estate group, and from 1991 to 1993, Giordano Holdings Limited. Mr. Lee has over eleven years' experience in banking. He was appointed as an independent non-executive director of the Company in September 1997.

Directors and Senior Management *(continued)*

Non-Executive Directors *(continued)*

Mr. Zheng Jie, age 37, has extensive sales and marketing experience in the sports market in the PRC. He was appointed as an independent non-executive director of the Company in September 2004.

Mr. Chau Tsun Ming, Jimmy, age 32, is a director of a venture capital and investment banking firm based in Beijing, Shanghai and New York. He holds a Bachelor of Commerce degree from the University of Toronto, Canada, and is a member of the American Institute of Certified Public Accountants. Before being an entrepreneur, Mr. Chau had spent 5 years in the Listing Division of Hong Kong Exchange and Clearing Limited. He was appointed as an independent non-executive director of the Company in July 2005.

Mr. Wong Tak Yuen, age 49, has extensive experience in the PRC market for more than 20 years. He is a brother of Mr. Wong Tek Sun, Takson. He was appointed as a non-executive director of the Company in January 2003.

Senior Management

Mr. Hui Chong Ki, Lawrence, age 46, is a Chief Financial Officer and Company Secretary of the Group. He graduated from the Chinese University of Hong Kong with a Master's degree in Business Administration. He has over 15 years of experience in accounting and financial experience in multinational companies. Prior to joining the Group in January 2005, Mr. Hui worked as Finance Director of General Mills Hong Kong Ltd. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Australia CPA.

Directors and Senior Management *(continued)*

Senior Management *(continued)*

Ms. Li Yuk Fong, Kerly, age 47, is 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 the Hong Kong Polytechnic University and the Hong Kong Management Association. She is an associate member of the Hong Kong Institute of Human Resource Management. Prior to joining the Group in 1990, she had worked in the systems and control field for more than four years.

Mr. Richard Lim, age 43, is the General Manager of HEAD®. Prior to joining the Group in March 2005, he had worked in the tennis market in the PRC for the last 6 years.

Mr. Jack Wang, age 37, is the General Manager of Diadora. He graduated from the Beijing Academy of Economics and has over 10 years of experience in major sports companies in the PRC. Prior to joining the Group in February 2005, he was the Sales Director of KAPPA in the PRC.

Ms. Shirley Sun, age 34, is our General Manager of Administration in the PRC. She graduated from the East China Normal University. She has joined the Group in 1994 and since then held various senior administrative positions in the Group.

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 holding companies, its fellow subsidiaries, or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executives' Benefits from Rights to Acquire Shares or Debentures

At no time during the year was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangement to enable the directors and chief executives or their spouse or children under 18 years of age of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st March, 2005, 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 Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 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 Companies ("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**	**Other interests**	**Total interests**	**Percentage of holding**
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000 *(Note 1)*	—	250,618,000	64.3%
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000 *(Note 1)*	—	250,618,000	64.3%

Note:

(1) The references to 237,600,000 shares relate to the same block of shares in the Company. 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, Mr. Wong Chi Wang, Calvin, and Mr. Wong Chi Kin, Christopher, both the children of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita.

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

Note: *(continued)*

(1) *(continued)*

Mr. Wong Tek Sun, Takson owns 50% of the issued share capital of WII and his children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, he is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Ms. Pang Shu Yuk, Adeline Rita, owns 50% of the issued share capital of WII and she and her children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, she is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Save as disclosed above, as at 31st March, 2005, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests or short 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 the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

The register of substantial shareholders maintained under Section 336 of the SFO showed that as at 31st March, 2005, the Company had been notified of the following substantial shareholders' interests and long positions, being 5% or more of the Company's issued share capital.

Name of substantial shareholders	Number of ordinary shares held	Percentage
Wangkin Investments Inc. *(Note)*	237,600,000	61.0%
Takson International Holdings Limited *(Note)*	237,600,000	61.0%

Note: Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.

Substantial Shareholders *(continued)*

Save as disclosed herein, as at 31st March, 2005, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO as having an interest or short positions in 5% or more of the issued share capital of the Company.

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 Society of Accountants.

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

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 year.

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited ("the Listing Rules") throughout the year ended 31st March, 2005, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

Compliance with the Code of Best Practice of the Listing Rules

(continued)

Management has found out that the Group had not made disclosure announcement in pursuance to rule 13.13 and 13.15 of the Listing Rules, in relation of the Group's accounts receivables that exceeded 8% of the Company Capitalization, from June 2004 to September 2004. Subsequent disclosure announcement was made on 25 July 2005. No individual trade receivable exceeded the 8 percent rule at the balance sheet date.

Disclosure Pursuant to Rule 13.13 and 13.15 of the Listing Rule

In certain months of the Financial Year, the Group had trade receivables (the "Trade Receivables") due from the following customers which individually exceeded 8 percent of the total asset value set out in the latest published accounts:

Trade Receivables

	July 2004	**August 2004**	**September 2004**	**October 2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hugo Boss AG	11,514	4,804	0	0
Dillards Stores Services Inc.	0	7,368	11,553	10,092
Big 5 Corp	0	0	9,347	8,306
Footlocker Retail Inc.	14,272	8,005	10,253	4,689

Trade Receivables as % Total Asset Value

	July 2004	**August 2004**	**September 2004**	**October 2004**
Hugo Boss AG	15%	6%	0%	0%
Dillards Stores Services Inc.	0%	0%	15%	13%
Big 5 Corp	0%	0%	12%	11%
Footlocker Retail Inc.	18%	10%	14%	6%

Disclosure Pursuant to Rule 13.13 and 13.15 of the Listing Rule

(continued)

Trade Receivables as % Total Market Capitalization

	July 2004	August 2004	September 2004	October 2004
Hugo Boss AG	19%	8%	0%	0%
Dillards Stores Services Inc.	0%	13%	22%	20%
Big 5 Corp	0%	0%	18%	17%
Footlocker Retail Inc.	24%	14%	20%	9%
Total market capitalization *(HK$'000)*	59,515	57,646	51,570	49,467

Notes:

1. The Trade Receivables are for sales of apparel in the ordinary course of business, and were unsecured and interest free with payments covered by letters of credit or terms of 30 days.

2. The customers are independent third parties not connected to directors, chief executives or substantial shareholders of the Group or its respective associates.

3. Total asset value of the Group was HK$77,466,000 as at 31st March, 2004 which was the date of the latest published accounts.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Tek Sun, Takson
Chairman

Hong Kong, 25th July, 2005

AUDITORS' REPORT

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

TO THE SHAREHOLDERS OF
TAKSON HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 23 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts 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.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

BASIS OF OPINION *(continued)*

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th July, 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2005

	Notes	2005 HK$'000	2004 HK$'000
Turnover	*2*	**110,608**	208,185
Cost of sales		**(79,556)**	(187,704)
Gross profit		**31,052**	20,481
Other revenues	*2*	**4,040**	6,407
Distribution costs		**(12,254)**	(7,838)
Administrative expenses		**(39,588)**	(34,320)
Reversal of impairment loss on leasehold land and buildings		**19,365**	—
Operating profit/(loss)	*3*	**2,615**	(15,270)
Finance costs	*5*	**(2,280)**	(2,461)
Profit/(loss) before taxation		**335**	(17,731)
Taxation charge	*6*	**(2)**	(243)
Profit/(loss) after taxation		**333**	(17,974)
Minority interests		**842**	502
Profit/(loss) attributable to shareholders	*7*	**1,175**	(17,472)
Basic earnings/(loss) per share	*8*	**0.3 cents**	(4.5 cents)

CONSOLIDATED BALANCE SHEET

As at 31st March, 2005

	Notes	2005 HK$'000	2004 HK$'000
Non-current assets			
Intangible assets	11	**628**	498
Fixed assets	12	**85,107**	37,431
Deposits paid for purchase of other fixed assets/ office premises		**2,385**	5,147
Deferred tax assets	21	**448**	621
Other investment, at cost	14	**600**	600
		89,168	44,297
Current assets			
Inventories	15	**5,598**	3,440
Trade receivables	16	**2,351**	419
Other receivables, prepayments and deposits		**4,911**	4,226
Prepaid tax		**—**	107
Cash and bank balances		**10,328**	24,977
		23,188	33,169
Current liabilities			
Trade payables	17	**3,226**	1,079
Accrued charges and other payables		**4,411**	4,599
Trust receipts bank loans	23	**2,937**	1,657
Current portion of long-term liabilities	20	**22,305**	13,596
Taxation payable		**238**	—
Director's loan	24	**2,500**	—
Bank overdrafts — secured	23	**—**	594
		35,617	21,525
Net current (liabilities)/assets		**(12,429)**	11,644
Total assets less current liabilities		**76,739**	55,941

CONSOLIDATED BALANCE SHEET

As at 31st March, 2005

	Notes	2005 HK$'000	2004 HK$'000
Financed by:			
Share capital	*18*	**38,950**	38,950
Reserves	*19*	**25,493**	11,625
Shareholders' funds		**64,443**	50,575
Minority interests		**1,975**	729
Non-current liabilities			
Long-term liabilities	*20*	**9,758**	3,965
Deferred tax liabilities	*21*	**563**	672
		76,739	55,941

On behalf of the Board

Wong Tek Sun, Takson
Director

Pang Shu Yuk, Adeline Rita
Director

BALANCE SHEET

As at 31st March, 2005

	Notes	2005 HK$'000	2004 HK$'000
Non-current assets			
Investments in subsidiaries	*13*	**56,195**	69,599
Other investment, at cost	*14*	**600**	600
		56,795	70,199
Current assets			
Other receivables		**641**	616
Tax recoverable		**—**	8
Cash and bank balances		**166**	34
		807	658
Current liabilities			
Tax payables		**22**	—
Accrued charges		**630**	415
		652	415
Net current assets		**155**	243
Total assets less current liabilities		**56,950**	70,442
Financed by:			
Share capital	*18*	**38,950**	38,950
Reserves	*19*	**18,000**	31,492
		56,950	70,442

On behalf of the Board

Wong Tek Sun, Takson
Director

Pang Shu Yuk, Adeline Rita
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2005

	Notes	2005 HK$'000	2004 HK$'000
Total equity as at 1st April		**50,575**	65,573
Exchange difference arising on translation of the accounts of overseas subsidiaries	*19*	**(1)**	3
Surplus on revaluation of investment properties	*19*	**12,694**	2,471
Net gain not recognised in the consolidated profit and loss account		**12,693**	2,474
Profit/(loss) for the year	*19*	**1,175**	(17,472)
Total equity as at 31st March		**64,443**	50,575

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2005

	Notes	2005 HK$'000	2004 HK$'000
Net cash used in operations	*22(a)*	**(18,947)**	(8,663)
Hong Kong profits tax refunded/(paid)		**8**	(14)
Overseas taxation refunded/(paid)		**302**	(374)
Net cash used in operating activities		**(18,637)**	(9,051)
Investing activities			
Purchases of fixed assets		**(12,983)**	(604)
Deposits paid for purchase of other fixed assets/ office premises		**(2,385)**	(5,147)
Purchase of other investment		**—**	(600)
Interest received		**2,150**	4,835
Net cash used in investing activities		**(13,218)**	(1,516)
Net cash used before financing		**(31,855)**	(10,567)
Financing activities	*22(b)*		
Capital contribution by minority interest		**1,415**	—
Increase in pledged time deposits		**—**	2,035
Director's loan granted		**2,500**	—
Bank loans granted		**89,487**	160,385
Repayment of bank loans		**(72,996)**	(157,781)
Payment of capital element of finance leases		**(326)**	(368)
Interest paid		**(2,234)**	(2,409)
Interest element of finance leases		**(46)**	(52)
Net cash inflow from financing		**17,800**	1,810
Decrease in cash and cash equivalents		**(14,055)**	(8,757)
Cash and cash equivalents at 1st April		**24,383**	33,140
Cash and cash equivalents at 31st March	*22(c)*	**10,328**	24,383

1. Principal Accounting Policies

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

(a) Basis of preparation

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

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

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

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

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

1. Principal Accounting Policies *(continued)*

(b) Consolidation *(continued)*

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

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

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

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

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

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

(c) Intangible assets

(i) Goodwill

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

1. Principal Accounting Policies *(continued)*

(c) Intangible assets *(continued)*

(ii) Trademarks

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

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

(d) Fixed assets

(i) Investment properties

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

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

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

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

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(ii) Leasehold land and buildings

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

(iii) Amortisation of leasehold land

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

(iv) Depreciation of leasehold buildings

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

(v) Leasehold improvements and other fixed assets

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

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

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(vi) Impairment of fixed assets

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

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

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

(vii) Gain or loss on disposal of fixed assets

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

(viii) Cost of restoring and improving fixed assets

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

1. Principal Accounting Policies *(continued)*

(e) Assets under leases

(i) Finance leases

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

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

(ii) Operating leases

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

(f) Other investment

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

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

1. Principal Accounting Policies *(continued)*

(g) Inventories

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

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

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

(h) Accounts receivable

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

(i) Translation of foreign currencies

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

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

(j) Cash and cash equivalents

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

1. Principal Accounting Policies *(continued)*

(k) Provisions

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

(l) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

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

1. Principal Accounting Policies *(continued)*

(m) Deferred taxation

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

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

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

(n) Contingent liabilities

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

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

(o) Borrowing costs

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

1. Principal Accounting Policies *(continued)*

(p) Segment reporting

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

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

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

(q) Revenue recognition

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

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

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

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

2. Turnover, Revenue and Segment Information

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

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

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

Primary reporting format — business segments

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

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

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

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

Primary reporting format — business segments *(continued)*

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

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

Secondary reporting format — geographical segments

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

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

Secondary reporting format — geographical segments *(continued)*

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

3. Operating profit/(loss)

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

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

4. Staff Costs

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

5. Finance Costs

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

6. Taxation Charge

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

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

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

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

6. Taxation Charge *(continued)*

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

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

7. Profit/(loss) Attributable to Shareholders

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

8. Earnings/(loss) per Share

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

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

9. Retirement Benefit Costs

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

10. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

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

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

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

The emoluments of the directors fell within the following bands:

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

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

(b) Five highest paid individuals

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

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

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

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

11. Intangible Assets

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

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

12. Fixed Assets

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

12. Fixed Assets *(continued)*

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

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

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

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

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

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

13. Investments in Subsidiaries

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

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

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

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

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

14. Other Investment

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

15. Inventories

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

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

16. Trade Receivables

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

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

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

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

17. Trade Payables

The ageing analysis of trade payables was as follows:

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

18. Share Capital

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

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

19. Reserves

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

19. Reserves *(continued)*

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

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

20. Long-Term Liabilities

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

20. Long-Term Liabilities *(continued)*

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

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

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

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

The present value of finance lease liabilities is as follows:

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

21. Deferred Taxation

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

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

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

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

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

Deferred tax liabilities

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

21. Deferred Taxation *(continued)*

Deferred tax assets

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

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

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

22. Notes to the Consolidated Cash Flow Statement

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

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

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

(b) Analysis of changes in financing during the year

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

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

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

23. Banking Facilities

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

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

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

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

24. Director's Loan

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

25. Contingent Liabilities

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

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

26. Commitments

(a) Capital commitments

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

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

(b) Commitments under operating leases

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

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

26. Commitments *(continued)*

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

(i) *(continued)*

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

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

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

27. Subsequent Events

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

28. Ultimate Holding Company

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

29. Particulars of Subsidiaries

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

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

29. Particulars of Subsidiaries *(continued)*

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

* Wholly Foreign-owned Enterprise

^ Sino-Foreign Equity Joint Venture Enterprise

30. Approval of Accounts

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

FIVE-YEAR FINANCIAL SUMMARY

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

	2005	2004	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**110,608**	208,185	258,701	238,564	514,357
Profit/(loss) before taxation	**335**	(17,731)	1,080	(34,365)	(69,574)
Taxation (charge)/credit	**(2)**	(243)	4	473	(262)
Profit/(loss) after taxation	**333**	(17,974)	1,084	(33,892)	(69,836)
Minority interests	**842**	502	578	—	—
Profit/(loss) attributable to shareholders	**1,175**	(17,472)	1,662	(33,892)	(69,836)
Total assets	**112,356**	77,466	90,453	115,315	186,283
Current liabilities	**(35,617)**	(21,525)	(18,136)	(35,422)	(63,054)
Total assets less current liabilities	**76,739**	55,941	72,317	79,893	123,229
Share capital	**38,950**	38,950	38,950	38,950	39,600
Reserves	**59,418**	46,725	44,251	45,279	49,331
(Accumulated losses)/retained profits	**(33,925)**	(35,100)	(17,628)	(19,290)	14,602
Shareholders' funds	**64,443**	50,575	65,573	64,939	103,533
Minority interests	**1,975**	729	1,231	—	—
Non-current liabilities	**10,321**	4,637	5,513	14,954	19,696
	76,739	55,941	72,317	79,893	123,229

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31st March, 2005 are as follows:

Location	**Gross area** *(sq. ft.)*	**Type**	**Tenure**
Workshop Unit Nos. 5 and 6 on 5th Floor, Tower One, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	6,664	Commercial	Medium Lease
Workshop Unit No. 7 on 5th Floor, Tower One, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	2,897	Commercial	Medium Lease
Portion A of Workshop Unit No. 6 on 3rd Floor, Tower One, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	11,165	Commercial	Medium Lease

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Takson Holdings Limited (the "Company") will be held at Salon II, 8th Floor, Harbour Plaza Metropolis, 7 Metropolis Drive, Hunghom, Kowloon, Hong Kong on Friday, 26th August, 2005 at 4:00 p.m. for the following purposes:—

1. To receive and consider the audited accounts and the reports of the directors and the auditors for the year ended 31st March, 2005.

2. To re-elect the retiring director and to authorise the directors to fix his/her remuneration.

3. To re-appoint the auditors and to authorise the directors to fix their remuneration.

4. To transact any other business.

By Order of the Board

Lawrence Hui
Company Secretary

Hong Kong, 25th July, 2005

Notes:—

1. Every member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority must be deposited at the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the above meeting (or at any adjournment thereof).