TAKSON HOLDINGS LIMITED

CONTENTS

CORPORATE INFORMATION

Directors

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

Non-Executive Directors:
Tsao Kwang Yung, Peter
Lee Kwok Cheung
Wong Tak Yuen

Secretary

Lau Hin Hung

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
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, 2004 (the "Financial Year"), the Group has recorded a turnover of approximately HK$208.2 million, representing a decrease of 19.5% as compared to approximately HK$258.7 million recorded in last year. Gross profit margin recorded 9.8%, comparing to 16.6% in last year. Loss attributable to shareholders amounted to approximately HK$17.5 million comparing to profit of approximately HK$1.7 million last year.

Business Overview

Export Business

In the Financial Year, the Group was principally engaged in the sourcing, subcontracting, marketing and sales of outerwear garments. United States of America ("US") remained the major market of the Group which accounted for 75.8% (2003: 84.8%) of the Group's total turnover. Facing the quota system which will end in 2005, the US market of outerwear, as well as other apparel sectors, has become even more competitive. Consequently, the turnover of the Group was adversely affected in the Financial Year. Moreover, as a short-term strategy in order to maintain the market share, the Group has generally reduced its selling price of exported products during the year, which caused the gross profit margin having reduced from 16.6% in last year to 9.8% in this year. The management believes that the Group's strength is to provide premium services to the customers in terms of delivering high quality products timely and strong production backup through long-term relationship with factories in Mainland China. In the long run, the management will shift the customer base to the class who can offer more reasonable profit margins in exchange for premium services.

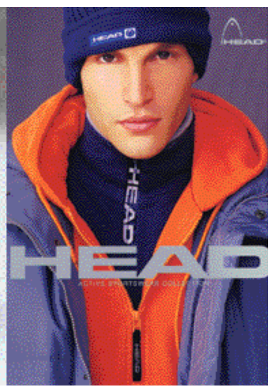
Licensee Business

In 2002, the Group entered into a ten-year licensee agreement with HEAD Sport AG for dealing sportswears under the brand name HEAD® in Greater China, including Hong Kong, Taiwan and Macau. Although the schedule of development of the licensee business was deferred in the first half of the year under review due to the

CHAIRMAN'S STATEMENT

outbreak of Severe Acute Respiratory Syndrome, the Group has resumed its marketing development thereafter. The initial marketing response to the HEAD® products is positive and the management believes that the business will bring tangible rewards to the Group in the coming year.

In the 4th quarter of the Financial Year, the Group opened more brand-box outlets in Shanghai, Ningbo and Wuhan. Through excellent relationship with the shopping malls in the prime locations in major cities in Mainland China, the sino partner of the Group's sino-foreign equity joint venture in Wuhan can help the management to negotiate favourable terms and prime locations in the shopping malls. The management believes that this factor will speed up the pace of opening new sales outlets and has plan to extend the sales network covering the cities including Dalian, Shenyang, Nangjing and Hanzhou by the end of 2004.



After the conclusion of terms of Closer Economic Partnership Arrangement between Mainland China and Hong Kong, the performance of retail industry in Hong Kong has improved in recent months. In order to capture this retail golden period, the first two sales outlets in Hong Kong were opened in March 2004 in Causeway Bay and Tsimshatsui, respectively.

At the end of the Financial Year, the Group has been operating 10 and 2 sales outlets (2003: 6 and 0) in Mainland China and Hong Kong, respectively.

Establishment in Mainland China

Since the management has foresight that the role of operation in Mainland China will become more important in line with the direction of the Group's business development, Takson Garment Manufacturing Company, Limited, a wholly owned subsidiary of the Company, acquired certain office units with a total area of 1,023.63 square meters in a newly established commercial building in Chang Ning District, Shanghai in the Financial Year. The management believes that the new office will not only provide sufficient space for the Group's future business expansion, but also help to achieve overhead saving by relocating certain business processes from Hong Kong to Shanghai. The relocation of business processes will be made progressively in the coming financial year.

CHAIRMAN'S STATEMENT

Financial Review

During the year under review, the Group recorded a turnover of approximately HK$208.2 million as compared to HK$258.7 million last year, representing a decrease of approximately 19.5%. The turnover for export division was approximately HK$205.4 million (2003: HK$257.7 million) while the turnover for licensee division was approximately HK$2.8 million (2003: HK$1.0 million). The decrease in turnover of export division was mainly due to the competitive market condition. The significant increase in turnover of licensee division mainly was the result of the enlarged sales network.

In terms of gross profit margin, export division recorded a gross margin of approximately 9.5% (2003: 16.6%) while the gross margin of licensee division was 35.7% (2003: 14.3%). The decrease of gross margin for export division was due to the short-term strategy adopted to reduce the selling price in order to maintain the market share as mentioned previously. The gross margin for export division is expected to rebound significantly after the shift of customer base in the coming financial year. Licensee division maintained gross margin at 35.7%, significantly increased from 14.3% in last year since more products were sourced locally in Mainland China than imported from overseas.

As a result of the effort put on tightening budgetary control, the administrative expenses decreased by 7.3% to approximately HK$34.3 million from last year of approximately HK$37.0 million. The management expects that the overhead costs will further be reduced in the coming year after some of the Group's business processes are relocated from Hong Kong to Shanghai. However, certain additional overhead costs will be incurred after the expansion of the business of licensee division.

Prospects

After years of sluggish economy worldwide, the management sees that there are some improvements in the economic conditions and has identified many business opportunities in Asian countries, especially in Mainland China. While the change of the quota system in US will divert many production orders from other developing countries to Mainland China, the domestic economy in Mainland China will certainly grow in a very fast pace in the coming few years. All these factors facilitate favorable conditions to the Group's current business development plan. The management is optimistic to the rebound of the Group's financial results in the coming years by adopting the following strategies:

Export Business

The management forecasts that US will still be the Group's major market for its export outerwear business. The abolishment of quota in US will encourage buyers to source their products in Mainland China and will also enable the Group to source greater varieties of textile products without the quota concern. This will help to increase the Group's turnover in the export business in future. Meanwhile, in order to maintain the gross profit margin at a better level, the management is actively liaising with more new quality-oriented customers by offering premium services to them in terms of guaranteed quality, on time delivery and shorter production cycle.

In the coming year, the management expects that the gross profit margin of export division of the Group will rebound to a more reasonable level in comparing to current year and believes that it will well compensate the projected decrease of turnover. Up to 30th June, 2004, the order book for the shipment from April 2004 to September 2004 for export division is approximately HK$93.2 million (2003: HK$145.8 million).

Licensee Business

On 29th May, 2004, the 14th China International Sporting Goods Show (2004 Shanghai) (the "Show") was held in Shanghai Pudong area. The Group operated a booth there for promoting the HEAD® brand in Mainland China market. During the Show, the Group has received over 150 enquries showing their interests in dealing the HEAD® brand apparel products in different cities all over Mainland China. Meanwhile, the management has plans to open up to 35 sales outlets in Greater

China, including Hong Kong by the end of 2004. Through the wholesales and retail marketing channel, the management believes that HEAD® brand products will significantly contribute to the Group's total turnover in the coming year.

Apart from HEAD®, the Group is actively negotiating with the owners of various international brands in different sectors on the terms of the license for manufacture and distribution of their products. The management believes that, upon the success of obtaining the license of dealing more brands, it will help the Group to achieve its multi-brand strategy in terms of shared fixed costs, given marketing experience and information, etc.

Costs Cutting Measures

Align with the Group's business development, the plan to relocate certain business processes to the new Shanghai office will certainly save part of the overhead costs in Hong Kong. Moreover, tightened budgetary control together with certain profit linked rewarding schemes will be introduced aiming to maximise the Group's investment return in the coming financial year.

By adopting the above strategies, the management is confident that there will be tangible rewards in the years ahead.

Liquidity and Financial Resources

The Group generally finances its operations with its own working capital and other banking facilities provided by its principal bankers in Hong Kong. Total net cash flow used in operation amounted to approximately HK$8.7 million for the year ended 31st March, 2004.

As at 31st March, 2004, the Group's net borrowings representing bank loans, overdrafts and obligations under finance leases amounted to approximately HK$19,166,000 (2003: HK$16,336,000). Of the total amounts of bank loans, overdrafts and obligations under finance leases outstanding as at the year end, 82.8% (2003: 70.2%) are repayable within the next year, 10.5% (2003: 25.6%) are repayable within the second year and the remaining balances are 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.

The ratio of current assets to current liabilities of the Group was 1.5 at 31st March, 2004 compared to 3.0 at 31st March, 2003. The Group's gearing ratio at 31st March, 2004 was 0.5 (2003: 0.4) which is calculated based on the Group's total liabilities of approximately HK$26,162,000 (2003: HK$23,649,000) and the shareholders' funds of approximately HK$50,575,000 (2003: HK$65,573,000). As at 31st March, 2004, the Group's cash and bank balances amounted to approximately HK$24,977,000 compared to approximately HK$35,175,000 at 31st March, 2003. The cash and bank balances together with available banking facilities are considered sufficient to provide adequate liquidity and capital resources for the Group's ongoing operating requirements.

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. A majority of bank savings was placed with several banks as foreign currency linked deposits during the year which were subject to foreign exchange rate fluctuations. There were no such deposits outstanding as at 31st March, 2004.

Charge of Assets

As at 31st March, 2004, the first legal charge over properties (including investment properties and leasehold land and buildings) in Hong Kong held by the Group with an aggregate carrying value of approximately HK$28,781,000 (2003: properties of HK$26,343,000 and certain bank deposits of the Group of HK$2,035,000) were pledged for the Group's banking facilities.

Contingent liabilities

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

Employees

As of 31st March, 2004, the Group had a total of 165 employees comparing to 130 employees as of 31st March, 2003. 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$20.5 million and HK$21.0 million for the year ended 31st March, 2004 and 2003, 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 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 staff for their dedication.

Wong Tek Sun, Takson
Chairman

Hong Kong, 23rd July, 2004

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March, 2004.

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:

	2004	2003
	%	%
Sales		
— the largest customer	**47**	51
— five largest customers combined	**94**	96
Purchases		
— the largest supplier	**49**	65
— five largest suppliers combined	**95**	78

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 22.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2004 (2003: HK$ Nil).

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 20 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$39,000 (2003: HK$6,000).

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 19 to the accounts.

Distributable Reserves

The Company had no distributable reserves as at 31st March, 2004 (2003: 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.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31st March, 2004 are set out in note 28 to the accounts.

Analysis of Bank Loans, Overdrafts and Other Borrowings

The Group's bank loans, overdrafts and other borrowings as at 31st March, 2004 are repayable over the following periods:

	Bank overdrafts	**Trust receipts and other bank loans**	**Other borrowings**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	594	14,927	326
In the second year	—	1,667	355
In the third to fifth year inclusive	—	973	324
	594	17,567	1,005

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*
Mr. Lee Kwok Cheung*
Mr. Wong Tak Yuen**

* *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 53, 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 45, 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. Tsao Kwang Yung, Peter, CBE, CPM, age 70, was the former Secretary for Home Affairs of the Hong Kong Government. Mr. Tsao was appointed as the special envoy to Geneva and became the head of the Trade and Industry Departments in 1979 and 1981, respectively. In 1983, Mr. Tsao headed the Government Information Services and in 1988 he was appointed as the Secretary for Home Affairs from which post he retired in February, 1992. He is currently the Chairman of Prima Consultants Limited and a director of a number of companies in Hong Kong and the United Kingdom. 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. Lee Kwok Cheung, age 55, 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.

Mr. Wong Tak Yuen, age 48, 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. Lau Hin Hung, age 38, is Financial Controller of the Group. He is responsible for the financial planning and control of the Group. He graduated from Lingnan University in Hong Kong with a Honors Diploma in Accountancy and Edith Cowan University in Australia with a Master's degree in E-Business. He has over seventeen years of experience in accounting and corporate finance. Prior to joining the Group in March 2004, Mr. Lau worked as the Deputy Financial Controller and Group Financial Controller in Magician Industries (Holdings) Limited and Vitop Bioenery Holdings Limited, respectively. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Ms. Law Yu Yuk, Alexandra, age 38, is General Merchandising Manager of the Group. She holds a diploma of marketing from the Marketing Confederation Australia. Prior to joining the Group in 1993, she had over five years' experience in the garment industry.

Directors and Senior Management *(continued)*

Senior Management *(continued)*

Ms. Li Yuk Fong, Kerly, age 46, 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.

Ms. Tang Yuen Ping, Gloria, age 45, is Shipping Manager of the Group. Prior to joining the Group in 1990, she had worked in the shipping field for over twelve 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 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, 2004, 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 and the children of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, Mr. Wong Chi Wang, Calvin and Mr. Wong Chi Kin, Christopher.

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.

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

Save as disclosed above, as at 31st March, 2004, none of the directors and chief executives (including their spouses 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, 2004, 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.

Save as disclosed herein, as at 31st March, 2004, 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 Committee comprises the two independent non-executive directors, namely Mr. Tsao Kwang Yung, Peter and Mr. Lee Kwok Cheung. Two meetings have been 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, 2004, 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.

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, 23rd July, 2004

PRICEWATERHOUSECOOPERS

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

We have audited the accounts on pages 22 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 Society of 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, 2004 and of the loss 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, 23rd July, 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2004

	Notes	**2004**	2003
		HK$'000	*HK$'000*
Turnover	*2*	**208,185**	258,701
Cost of sales		**(187,704)**	(215,700)
Gross profit		**20,481**	43,001
Other revenues	*2*	**6,407**	5,045
Distribution costs		**(7,838)**	(7,273)
Administrative expenses		**(34,320)**	(37,032)
Operating (loss)/profit	*3*	**(15,270)**	3,741
Finance costs	*5*	**(2,461)**	(2,661)
(Loss)/profit before taxation		**(17,731)**	1,080
Taxation (charge)/credit	*6*	**(243)**	4
(Loss)/profit after taxation		**(17,974)**	1,084
Minority interests		**502**	578
(Loss)/profit attributable to shareholders	*7*	**(17,472)**	1,662
Basic (loss)/earnings per share	*8*	**(4.5) cents**	0.4 cents

CONSOLIDATED BALANCE SHEET

As at 31st March, 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current assets			
Intangible assets	*11*	**498**	665
Fixed assets	*12*	**37,431**	36,010
Deposits paid for purchase of office premises	*13*	**5,147**	—
Other investment, at cost	*15*	**600**	—
Deferred tax assets	*22*	**621**	—
		44,297	36,675
Current assets			
Inventories	*16*	**3,440**	6,566
Trade receivables	*17*	**419**	1,609
Other receivables, prepayments and deposits		**4,226**	10,428
Prepaid tax		**107**	—
Pledged time deposits	*24(b)*	**—**	2,035
Cash and bank balances		**24,977**	33,140
		33,169	53,778
Current liabilities			
Trade payables	*18*	**1,079**	1,821
Accrued charges and other payables		**4,599**	4,757
Trust receipts bank loans	*24*	**1,657**	—
Current portion of long-term liabilities	*21*	**13,596**	11,469
Taxation payable		**—**	89
Bank overdrafts — secured	*24*	**594**	—
		21,525	18,136
Net current assets		**11,644**	35,642
Total assets less current liabilities		**55,941**	72,317

CONSOLIDATED BALANCE SHEET

As at 31st March, 2004

	Notes	2004 HK$'000	2003 HK$'000
Financed by:			
Share capital	*19*	**38,950**	38,950
Reserves	*20*	**11,625**	26,623
Shareholders' funds		**50,575**	65,573
Minority interests		**729**	1,231
Non-current liabilities			
Long-term liabilities	*21*	**3,965**	5,513
Deferred tax liabilities	*22*	**672**	—
		55,941	72,317

On behalf of the Board

Wong Tek Sun, Takson
Director

Pang Shu Yuk, Adeline Rita
Director

BALANCE SHEET

As at 31st March, 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current assets			
Investments in subsidiaries	14	**69,599**	76,105
Other investment, at cost	15	**600**	—
		70,199	76,105
Current assets			
Other receivables		**616**	616
Prepaid tax		**8**	—
Cash and bank balances		**34**	38
		658	654
Current liabilities			
Accrued charges		**415**	489
Net current assets		**243**	165
Total assets less current liabilities		**70,442**	76,270
Financed by:			
Share capital	19	**38,950**	38,950
Reserves	20	**31,492**	37,320
		70,442	76,270

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, 2004

	Note	**2004**	2003
		HK$'000	*HK$'000*
Total equity as at 1st April		**65,573**	64,939
Exchange difference arising on translation of the accounts of overseas subsidiaries	*20*	**3**	(28)
Surplus on revaluation of investment properties	*20*	**2,471**	—
Net gain/(loss) not recognised in the consolidated profit and loss account		**2,474**	(28)
(Loss)/profit for the year	*20*	**(17,472)**	1,662
Reserve on consolidation realised in the consolidated profit and loss account upon deregistration of a subsidiary	*20*	**—**	(1,000)
Total equity as at 31st March		**50,575**	65,573

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2004

	Notes	2004 HK$'000	2003 HK$'000
Net cash (outflow)/inflow from operations	*23(a)*	**(8,663)**	24,873
Hong Kong profits tax (paid)/refunded		**(14)**	26
Overseas taxation paid		**(374)**	—
Net cash (outflow)/inflow from operating activities		**(9,051)**	24,899
Investing activities			
Purchases of fixed assets		**(604)**	(3,351)
Proceeds from disposal of fixed assets		**—**	90
Deposits paid for purchase of office premises		**(5,147)**	—
Purchase of other investment		**(600)**	—
Interest received		**4,835**	3,131
Net cash outflow from investing activities		**(1,516)**	(130)
Net cash (outflow)/inflow before financing		**(10,567)**	24,769
Financing activities	*23(b)*		
Change in pledged time deposits		**2,035**	(2,035)
Capital contributions from minority interests		**—**	1,809
Net bank loans granted/(repaid)		**2,604**	(10,345)
Payment of capital element of finance leases		**(368)**	(472)
Interest paid		**(2,409)**	(2,614)
Interest element of finance leases		**(52)**	(47)
Net cash inflow/(outflow) from financing		**1,810**	(13,704)
(Decrease)/increase in cash and cash equivalents		**(8,757)**	11,065
Cash and cash equivalents at 1st April		**33,140**	22,075
Cash and cash equivalents at 31st March	*23(c)*	**24,383**	33,140

1. Principal Accounting Policies

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

(a) Basis of preparation

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

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

(b) Consolidation

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

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

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

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

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

1. Principal Accounting Policies *(continued)*

(b) Consolidation *(continued)*

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

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

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

(c) Intangible assets

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

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

(d) Fixed assets

(i) Investment properties

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

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(i) Investment properties *(continued)*

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

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

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

(ii) Leasehold land and buildings

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

(iii) Amortisation of leasehold land

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

(iv) Depreciation of leasehold buildings

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

1. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(v) Leasehold improvements and other tangible fixed assets

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

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

(vi) Impairment of fixed assets

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

(vii) Gain or loss on disposal of fixed assets

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

(viii) Cost of restoring and improving fixed assets

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

1. Principal Accounting Policies *(continued)*

(e) Assets under leases

(i) Finance leases

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

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

(ii) Operating leases

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

(f) Other investment

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

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

1. Principal Accounting Policies *(continued)*

(g) Inventories

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

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

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

(h) Accounts receivable

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

(i) Translation of foreign currencies

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

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

(j) Cash and cash equivalents

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

1. Principal Accounting Policies *(continued)*

(k) Provisions

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

(l) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

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

1. Principal Accounting Policies *(continued)*

(m) Deferred taxation

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

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

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

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

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

(n) Contingent liabilities

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

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

1. Principal Accounting Policies *(continued)*

(o) Borrowing costs

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

(p) Segment reporting

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

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

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

(q) Revenue recognition

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

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

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

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

2. Turnover and segment information

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

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

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

Primary reporting format — business segments

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

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

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

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

Primary reporting format — business segments *(continued)*

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

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

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

Secondary reporting format — geographical segments

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

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

Secondary reporting format — geographical segments *(continued)*

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

There are no sales between the geographical segments.

3. Operating (Loss)/Profit

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

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

4. Staff Costs

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

5. Finance Costs

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

6. Taxation Charge/(Credit)

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

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

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

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

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

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

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

7. (Loss)/Profit Attributable to Shareholders

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

8. (Loss)/Earnings per Share

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

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

9. Retirement Benefit Costs

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

10. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

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

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

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

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

(a) Directors'emoluments *(continued)*

The emoluments of the directors fell within the following bands:

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

(b) Five highest paid individuals

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

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

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

11. Intangible Assets

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

12. Fixed Assets

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

12. Fixed Assets *(continued)*

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

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

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

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

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

13. Deposits Paid for Purchase of Office Premises

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

14. Investments in Subsidiaries

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

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

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

15. Other Investment

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

16. Inventories

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

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

17. Trade Receivables

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

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

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

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

18. Trade Payables

The ageing analysis of trade payables was as follows:

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

19. Share Capital

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

20. Reserves

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

20. Reserves *(continued)*

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

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

21. Long-Term Liabilities

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

21. Long-Term Liabilities *(continued)*

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

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

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

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

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

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

22. Deferred Taxation

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

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

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

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

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

22. Deferred Taxation *(continued)*

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

Deferred tax liabilities

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

Deferred tax assets

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

22. Deferred Taxation *(continued)*

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

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

23. Notes to the Consolidated Cash Flow Statement

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

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

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

(b) Analysis of changes in financing during the year

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

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

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

24. Banking Facilities

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

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

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

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

25. Contingent Liabilities

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

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

26. Commitments

(a) Capital commitments

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

26. Commitments *(continued)*

(b) Commitments under operating leases

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

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

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

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

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

27. Ultimate Holding Company

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

28. Particulars of Principal Subsidiaries

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

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

28. Particulars of Principal Subsidiaries *(continued)*

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

* Wholly Foreign-owned Enterprise, with limited liability

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

Note:

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

29. Approval of Account

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

FIVE-YEAR FINANCIAL SUMMARY

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

	2004	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**208,185**	258,701	238,564	514,357	480,713
(Loss)/profit before taxation	**(17,731)**	1,080	(34,365)	(69,574)	60,710
Taxation (charge)/credit	**(243)**	4	473	(262)	(10,285)
(Loss)/profit after taxation	**(17,974)**	1,084	(33,892)	(69,836)	50,425
Minority interests	**502**	578	—	—	—
(Loss)/profit attributable to shareholders	**(17,472)**	1,662	(33,892)	(69,836)	50,425
Total assets	**77,466**	90,453	115,315	186,283	312,987
Current liabilities	**(21,525)**	(18,136)	(35,422)	(63,054)	(144,820)
Total assets less current liabilities	**55,941**	72,317	79,893	123,229	168,167
Share capital	**38,950**	38,950	38,950	39,600	37,460
Reserves	**46,725**	44,251	45,279	49,331	45,002
(Accumulated losses)/retained profits	**(35,100)**	(17,628)	(19,290)	14,602	84,438
Shareholders' funds	**50,575**	65,573	64,939	103,533	166,900
Minority interests	**729**	1,231	—	—	—
Non-current liabilities	**4,637**	5,513	14,954	19,696	1,267
	55,941	72,317	79,893	123,229	168,167

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31st March, 2004 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 III, lst Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hunghom, Kowloon, Hong Kong on Friday, 27th August, 2004 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, 2004.

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

Lau Hin Hung
Company Secretary

Hong Kong, 23rd July, 2004

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).