



TAKSON HOLDINGS LIMITED
第一德勝控股有限公司



Annual Report

2002/03

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Corporate Information

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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

Wan Choi Chun

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
Hung Hom, 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



The Group's turnover has recorded an increase of 8.4% to HK\$258.7 million with a rise in gross profit margin by 2.8 percentage points as compared to last year. Sales to the US market accounted for 84.8% of the Group's turnover, as compared with 83.9% last year. Profit attributable to shareholders amounted to approximately HK\$1.7 million as compared to loss of HK\$33.9 million last year. The basic earnings per share for the year was HK\$0.4 cents.

Review of Operations

Sales to the largest customer accounted for 51.0% of the Group's turnover, as compared with 39.0% last year. The management is aware of the increased credit risk associated with such concentration of sales and the Group would widen the sales network in order to diversify its customer base in the future.

On the other hand, purchases from the largest supplier accounted for 65.3% of the Group's annual purchases, as compared to 26.9% last year. Such concentration of purchases was for negotiation with a major supplier of the Group for better terms. The Group would also widen the purchases network in order to diversify its supplier base in the future.

Export outerwear business

Gross profit margin has improved due to increased efforts on sourcing function and the increase in sales of down-filled garments which have a higher margin. Tighter budgetary control and continued cost cutting measures have been implemented.

PRC domestic business

HEAD's licensee business in the PRC has made progress as planned. The Group commenced the licensee business in September, 2002. Initial response from the market is positive. Gross profit margin of licensed products is much higher than that of export business.

Application of proceeds of the new issue

The remaining net proceeds of HK\$30 million brought forward from the Company's new issue of shares in the year 1997 have not been spent and will continue to be reserved for investment opportunities related to the core business.

Prospects

Export outerwear business

The global economic climate is still difficult for the Group. In the long term, the competition will become more intense. Facing a difficult business environment, the Group would diversify into other markets in the future. The Group would also continue to implement certain measures, with a focus on reducing costs and improving operational efficiency.

Fall/Winter orders on hand for the year 2003/04 up to the end of June, 2003 amounted to HK\$203 million, as compared to the same Fall/Winter orders of HK\$246 million received up to the middle of July, 2002. US customers have made fewer purchases due to cautious consumer sentiment and competitive retail market. Regarding Spring orders for the year 2003/04, only small amount of orders has been received to date from customers.

PRC domestic business

The Group is selecting some suitable distributors for widening the distribution network of HEAD's licensee business in the PRC. The distribution network will cover the first tier cities such as Beijing, Shanghai and Guangzhou before early 2004. The network will be extended to cover most second tier cities like Shenyang, Dalian, Nanjing, Chongqing and Chengdu before the end of year 2004. Major strategies including increased marketing efforts and different product assortment and mix, have been implemented to further raise sales of each outlet. Certain measures have been implemented to control costs and improve overall operational efficiency.

The management believes that the Group's results in the long run can be benefited from the licensee business. The market demand for sports and casual wear is growing rapidly due to the continued economic growth in the PRC. It is the government policy to encourage healthier lifestyle with more exercise and outdoor activities especially after the Severe Acute Respiratory Syndrome incident. The enthusiasm of people towards sport will gradually increase as a result of the approach of the Year 2008 Beijing Olympic Games.

As a result, the Group is actively negotiating with owners of other international sports brands in order to obtain the license for manufacture and distribution in the PRC. The negotiation is expected to be finalised by the end of September, 2003.

Liquidity and Financial Resources

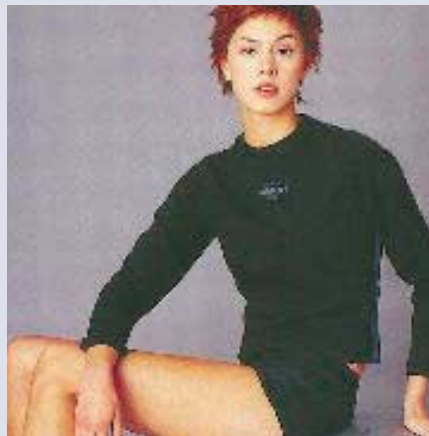
The Group generally finances its operations with its own working capital, and import-related and other banking facilities provided by its principal bankers in Hong Kong. Total net cash inflow generated from operations amounted to HK\$24.9 million for the year ended 31st March, 2003.



The Group's net borrowings representing bank loans and overdrafts and obligations under finance leases amounted to approximately HK\$16,336,000 (2002: HK\$39,148,000). Of the total amounts of bank loans and overdrafts and obligations under finance leases outstanding as at the year end, 70.2% (2002: 62.2%) are repayable within the next year, 25.6% (2002: 26.1%) 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.

The ratio of current assets to current liabilities of the Group was 3.0 at 31st March, 2003 compared to 2.2 at 31st March, 2002. The Group's gearing ratio at 31st March, 2003 was 0.4 (2002: 0.8) which is calculated based on the Group's total liabilities of HK\$23,649,000 (2002: HK\$50,376,000) and the shareholders' funds of HK\$65,573,000 (2002: HK\$64,939,000). As at 31st March, 2003, the Group's cash and bank balances amounted to HK\$35,175,000 compared to HK\$34,682,000 at 31st March, 2002. 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 into several banks as foreign currency linked deposits which are subject to foreign exchange rate fluctuations.



Charge of Assets

As at 31st March, 2003, the first legal charge over investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of HK\$26,343,000 (2002: HK\$26,681,000) and certain bank deposits of the Group amounting to HK\$2,035,000 (2002: Nil) were pledged for the Group's banking facilities.



Contingent Liabilities

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2003 amounted to HK\$15,977,000 (2002: HK\$37,915,000).

Employees

As of 31st March, 2003, the Group had a total of approximately 130 employees. This compared to 73 employees as of 31st March, 2002. The increase in the number of employees was due to the recruitment of new employees by the joint venture enterprise which is a subsidiary of the Group in Wuhan for HEAD's licensee business. Staff costs including directors' remuneration totalled HK\$21.0 million and HK\$22.5 million for the year ended 31st March, 2003 and 2002, respectively. Despite the increase in the number of employees, staff costs including directors' remuneration has decreased due to the termination of e-business services by the Group in October, 2001.

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.

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, 8th July, 2003

The directors submit their report together with the audited accounts for the year ended 31st March, 2003.

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 outerwear 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:

	2003	2002
	%	%
Sales		
— the largest customer	51	39
— five largest customers combined	96	97
Purchases		
— the largest supplier	65	27
— five largest suppliers combined	78	62

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 5.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 16.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2003.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 18 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$6,000.

Fixed Assets

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

Share Capital

Details of the movements in share capital of the Company are set out in note 17 to the accounts.

Distributable Reserves

The Company had no distributable reserves as at 31st March, 2003 (2002: HK\$30,658,000).

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 48.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year and 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, 2003 are set out in note 25 to the accounts.

Analysis of Bank Loans and Other Borrowings

The Group's bank loans and other borrowings as at 31st March, 2003 are repayable over the following periods:

	Bank loans	Other borrowings
	HK\$'000	HK\$'000
Within one year	11,124	345
In the second year	3,839	349
In the third to fifth year inclusive	—	679
	<u>14,963</u>	<u>1,373</u>

Directors

The directors during the year were:

Mr. Wong Tek Sun, Takson

Ms. Pang Shu Yuk, Adeline Rita

Mr. Lian Cheng Chi (resigned on 6th January, 2003)

Mr. Tsao Kwang Yung, Peter*

Mr. Lee Kwok Cheung*

Mr. Wong Tak Yuen** (appointed on 6th January, 2003)

* independent non-executive directors

** non-independent 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, Mr. Tsao Kwang Yung, Peter, retires by rotation and, being eligible, offers himself 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.

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 52, is the Chairman and Chief Executive Officer of the Group. He received his tertiary education in the PRC before he co-founded the Group in 1972. He has over 30 years' experience and in-depth knowledge of marketing in the US and European markets and of the manufacturing of outerwear garments in the PRC and Hong Kong. He is responsible for the development of corporate planning and strategy, sales and marketing and overall management of the Group.

Ms. Pang Shu Yuk, Adeline Rita, age 44, is the 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 69, 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.

Mr. Lee Kwok Cheung, age 54, 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 47, 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.

Directors and Senior Management *(continued)*

Senior Management

Ms. Wan Choi Chun, Dorothy, age 32, is the Finance Director of the Group and is also the Company Secretary. She is responsible for the financial planning and management information system of the Group. She holds a degree in business administration from the Chinese University of Hong Kong. She is a member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group in 1996, she had worked for an international accounting firm in Hong Kong for approximately four years.

Mr. Kwok Chak Man, Bernard, age 36, is the General Merchandising Manager of the Group. He holds a diploma in clothing from the Kwun Tong Technical Institute and a higher certificate in fashion and clothing manufacturing from the Hong Kong Polytechnic University. Prior to joining the Group in 1991, he had over four years' experience in the garment industry.

Ms. Law Yu Yuk, Alexandra, age 37, is the 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.

Ms. Li Yuk Fong, Kerly, age 45, is the Operation Control Manager of the Group. She holds an international diploma in computer studies from NCC The National Centre for Information Technology in the United Kingdom and a diploma in management studies awarded jointly by 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 44, is the 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 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 Shares of the Company and Associated Corporations

As at 31st March, 2003, the interests of directors, chief executives and their associates of the Company in the shares of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ('SDI Ordinance')) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Number of ordinary shares in the Company beneficially held

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total interests
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000 (Note 1)	—	250,618,000
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000 (Note 1)	—	250,618,000

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

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.

Mr. Wong Tek Sun, Takson owns more than one-third 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 SDI Ordinance.

Ms. Pang Shu Yuk, Adeline Rita, owns more than one-third 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 SDI Ordinance.

Save as disclosed above, as at 31st March, 2003, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests in the shares in or debentures of the Company or of any of its associated corporations (within the meaning of the SDI Ordinance) which had been entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

Substantial Shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that as at 31st March, 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of substantial shareholders	Number of ordinary shares held
Wangkin Investments Inc. <i>(Note)</i>	237,600,000
Takson International Holdings Limited <i>(Note)</i>	237,600,000

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, 2003, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10% 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 for 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 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 Listing Rules throughout the year ended 31st March, 2003, 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 By-laws.

Auditors

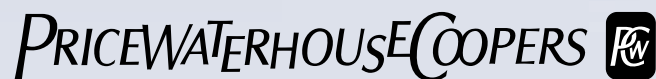
The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Tek Sun, Takson

Chairman

Hong Kong, 8th July, 2003



羅兵咸永道會計師事務所

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKSON HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 16 to 47 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 to you.

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.

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, 2003 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, 8th July, 2003

Consolidated Profit and Loss Account

For the year ended 31st March, 2003

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	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	258,701	238,564
Cost of sales		(215,700)	(205,652)
Gross profit		43,001	32,912
Other revenues	2	5,045	1,919
Distribution costs		(7,273)	(6,802)
Administrative expenses		(37,032)	(39,179)
Write-off of textile quota deposits		—	(18,896)
Operating profit/(loss)	3	3,741	(30,046)
Finance costs	5	(2,661)	(4,469)
Share of profit of a jointly controlled entity		—	150
Profit/(loss) before taxation		1,080	(34,365)
Taxation credit	6(a)	4	473
Profit/(loss) after taxation		1,084	(33,892)
Minority interests		578	—
Profit/(loss) attributable to shareholders	7	1,662	(33,892)
Basic earnings/(loss) per share	8	0.4 cents	(8.6 cents)

Consolidated Balance Sheet

As at 31st March, 2003

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	Notes	2003 HK\$'000	2002 HK\$'000
Intangible assets	11	665	825
Fixed assets	12	36,010	36,770
Current assets			
Inventories	14	6,566	14,258
Trade receivables	15	1,609	6,722
Textile quota deposits		—	12,675
Other receivables and prepayments		10,428	7,272
Tax recoverable		—	86
Trading securities		—	2,025
Pledged time deposits	21(a)	2,035	—
Cash and bank balances		33,140	34,682
		<u>53,778</u>	<u>77,720</u>
Current liabilities			
Amount due to a related company		—	2,179
Trade payables	16	1,821	515
Accrued charges		4,757	8,381
Trust receipt and other bank loans	21	—	14,801
Current portion of long-term liabilities	19	11,469	9,508
Taxation payable		89	12
Bank overdrafts — unsecured		—	26
		<u>18,136</u>	<u>35,422</u>
Net current assets		<u>35,642</u>	<u>42,298</u>
Total assets less current liabilities		<u>72,317</u>	<u>79,893</u>

Consolidated Balance Sheet

As at 31st March, 2003

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	Notes	2003 HK\$'000	2002 HK\$'000
<i>Financed by:</i>			
Share capital	17	38,950	38,950
Reserves	18	26,623	25,989
Shareholders' funds		65,573	64,939
Minority interests		1,231	—
Long-term liabilities	19	5,513	14,954
		72,317	79,893

On behalf of the Board

Wong Tek Sun, Takson
Director

Pang Shu Yuk, Adeline Rita
Director

Balance Sheet

As at 31st March, 2003

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	Notes	2003 HK\$'000	2002 HK\$'000
Investments in subsidiaries	13	76,105	109,935
Current assets			
Other receivables		616	568
Tax recoverable		—	1
Trading securities		—	2,025
Cash and bank balances		38	51
		654	2,645
Current liabilities			
Accrued charges		489	940
Net current assets		165	1,705
Total assets less current liabilities		76,270	111,640
<i>Financed by:</i>			
Share capital	17	38,950	38,950
Reserves	18	37,320	72,690
		76,270	111,640

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, 2003

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	Notes	2003 HK\$'000	2002 HK\$'000
Total equity as at 1st April		64,939	103,533
Exchange difference arising on translation of the accounts of overseas subsidiaries	18	(28)	(8)
Profit/(loss) for the year	18	1,662	(33,892)
Reserve on consolidation realised in the consolidated profit and loss account upon deregistration of a subsidiary	18	(1,000)	—
Exchange reserve realised in the consolidated profit and loss account upon liquidation of a jointly controlled entity	18	—	(54)
Repurchase of shares	17,18	—	(4,640)
Total equity as at 31st March		<u>65,573</u>	<u>64,939</u>

Consolidated Cash Flow Statement

For the year ended 31st March, 2003

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	Notes	2003 HK\$'000	2002 HK\$'000
Net cash inflow generated from operations	20(a)	24,873	18,914
Interest received		3,131	680
Interest paid		(2,614)	(4,288)
Interest element of finance leases		(47)	(181)
Hong Kong profits tax refunded		26	646
Overseas tax paid		—	(201)
Net cash inflow from operating activities		25,369	15,570
Investing activities			
Purchases of fixed assets		(3,351)	(745)
Proceeds from liquidation of a jointly controlled entity		—	12,975
Repayment from a jointly controlled entity		—	1,179
Proceeds from disposal of fixed assets		90	11
Net cash (outflow)/inflow from investing activities		(3,261)	13,420
Net cash inflow before financing		22,108	28,990
Financing	20(b)		
Capital contributions from minority interests		1,809	—
Repurchase of shares		—	(4,640)
Net bank loans repaid		(10,345)	(34,299)
Payment of capital element of finance leases		(472)	(873)
Net cash outflow from financing		(9,008)	(39,812)
Change in pledged time deposit		(2,035)	24,650
Increase in cash and cash equivalents		11,065	13,828
Cash and cash equivalents at 1st April		22,075	8,247
Cash and cash equivalents at 31st March	20(c)	33,140	22,075

I. 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 following Statements of Standard Accounting Practice ('SSAP') issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

Adopting the above SSAPs has no material effect on the Group's prior year accounts other than making certain presentation changes as a result of the adoption of SSAP 1 (revised) and SSAP 15 (revised).

(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.

I. Principal Accounting Policies *(continued)*

(b) Consolidation *(continued)*

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 goodwill or capital reserve or exchange differences which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating 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.

(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 consolidated profit and loss account. Any subsequent increases are credited to the consolidated 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 term 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 consolidated profit and loss account.

I. 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 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 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 consolidated 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 consolidated profit and loss account.

I. Principal Accounting Policies *(continued)*

(d) Fixed assets *(continued)*

(viii) *Cost of restoring and improving fixed assets*

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

(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 consolidated 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 consolidated profit and loss account on a straight-line basis over the lease term.

(f) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the consolidated profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the consolidated profit and loss account as they arise.

(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.

I. Principal Accounting Policies *(continued)*

(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) Deferred taxation

Deferred taxation is 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 is expected to be payable or recoverable in the foreseeable future.

(j) 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 rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The balance sheet of subsidiaries and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is 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.

In prior years, the profit and loss accounts of foreign enterprises were translated at closing rates. This is a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdrafts, trust receipt and other bank loans repayable less than three months from the date of advance.

(l) 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.

I. Principal Accounting Policies *(continued)*

(m) 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.

(n) Employee benefits

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 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 consolidated 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.

(o) Borrowing costs

All borrowing costs are charged to the consolidated 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 geographical segments as the secondary reporting format.

I. Principal Accounting Policies *(continued)*

(p) Segment reporting *(continued)*

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude trading securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets *(note 12)*.

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 outerwear garments during the year. In December, 2001, the Group entered into a license agreement with an international sports brand owner under which the Group is granted the right to manufacture and distribute products under the brand. The Group commenced the licensee business in September, 2002.

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods	258,701	238,564
Other revenues		
Income from sample sales	183	77
Interest income	3,131	680
Rental income	1,731	1,162
	5,045	1,919
Total revenues	263,746	240,483

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

Primary reporting format — business segments

Year ended 31st March, 2003
HK\$'000

	Sales of outerwear garments	E-business	Other operations	Total
Turnover	<u>258,701</u>	<u>—</u>	<u>—</u>	<u>258,701</u>
Segment operating profit/(loss)	<u>(1,105)</u>	<u>(35)</u>	<u>750</u>	<u>(390)</u>
Interest income	3,126		5	3,131
Unallocated costs				<u>1,000</u>
Operating profit				<u>3,741</u>
Finance costs				<u>(2,661)</u>
Profit before taxation				<u>1,080</u>
Taxation credit				<u>4</u>
Profit after taxation				<u>1,084</u>
Minority interests				<u>578</u>
Profit attributable to shareholders				<u>1,662</u>
Segment assets	77,226	—	11,808	89,034
Unallocated assets				<u>1,419</u>
Total assets				<u>90,453</u>
Segment liabilities	10,162	—	320	10,482
Unallocated liabilities				<u>13,167</u>
Total liabilities				<u>23,649</u>
Capital expenditure	1,784	—	—	1,784
Depreciation	1,944	—	—	1,944
Amortisation charge	168	—	—	168
Other significant non-cash expenses other than depreciation and amortisation	—	—	—	—

(a) During the year, the Group discontinued the operations of e-business.

(b) Other operations mainly represent the operating activities of investment properties.

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

Primary reporting format — business segments *(continued)*

	Year ended 31st March, 2002			
	HK\$'000			
	Sales of outerwear garments	E-business	Other operations	Total
Turnover	<u>238,564</u>	<u>—</u>	<u>—</u>	<u>238,564</u>
Segment operating loss	<u>(27,450)</u>	<u>(2,722)</u>	<u>(440)</u>	(30,612)
Interest income	678	—	2	680
Unallocated costs				<u>(114)</u>
Operating loss				(30,046)
Finance costs				(4,469)
Share of profit of a jointly controlled entity				<u>150</u>
Loss before taxation				(34,365)
Taxation credit				<u>473</u>
Loss attributable to shareholders				<u>(33,892)</u>
Segment assets	101,221	—	11,948	113,169
Unallocated assets				<u>2,146</u>
Total assets				<u>115,315</u>
Segment liabilities	24,390	—	556	24,946
Unallocated liabilities				<u>25,430</u>
Total liabilities				<u>50,376</u>
Capital expenditure	3,980	57	91	4,128
Depreciation	1,980	9	—	1,989
Amortisation charge	166	—	—	166
Other significant non-cash expenses other than depreciation and amortisation	18,896	—	—	18,896

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

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

Secondary reporting format — geographical segments

Year ended 31st March, 2003

HK\$'000

	Turnover	Segment operating profit/(loss)	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	—	69,735	830
PRC	997	(1)	15,955	954
Others	4,775	(2)	35	—
	<u>258,701</u>	<u>(390)</u>	<u>90,453</u>	<u>1,784</u>
Interest income		3,131		
Unallocated costs		<u>1,000</u>		
Operating profit		<u>3,741</u>		

Year ended 31st March, 2002

HK\$'000

	Turnover	Segment operating profit/(loss)	Total assets	Capital expenditure
United States of America	200,242	(25,681)	12,245	—
Europe	17,439	(1,778)	—	—
Canada	16,116	(1,140)	—	—
Hong Kong	961	(1,823)	97,280	1,585
Others	3,806	(190)	5,790	2,543
	<u>238,564</u>	<u>(30,612)</u>	<u>115,315</u>	<u>4,128</u>
Interest income		680		
Unallocated costs		<u>(114)</u>		
Operating loss		<u>(30,046)</u>		

There are no sales between the geographical segments.

3. Operating Profit/(Loss)

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Charging		
Amortisation of trademarks	168	166
Auditors' remuneration	755	608
Depreciation		
Owned fixed assets	1,709	1,956
Leased fixed assets	235	33
Net exchange losses	853	7
Net loss on disposal of fixed assets	510	224
Staff costs, including directors' emoluments (<i>note 4</i>)	21,025	22,528
Operating leases		
Land and buildings	3,254	2,063
Hire of machinery and equipment	32	116
Outgoings in respect of investment properties	122	124
Write-off of/provision for bad and doubtful debts	1,961	1,726
Provision for obsolete inventories	62	117
Revaluation deficit on investment properties	—	304
Unrealised losses on trading securities	915	534
Loss on disposal of trading securities	8	—
	<u>8</u>	<u>—</u>

4. Staff Costs

	Group	
	2003 HK\$'000	2002 HK\$'000
Wages and salaries	11,967	12,809
Pension costs — defined contribution plans	330	329
	<u>12,297</u>	<u>13,138</u>
Total staff costs, excluding directors' emoluments		

5. Finance Costs

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	2,614	4,224
Interest element of finance leases wholly repayable within five years	47	181
Other incidental borrowing costs	—	64
	<hr/>	<hr/>
Total borrowing costs incurred	<u>2,661</u>	<u>4,469</u>

There were no borrowing costs capitalised during the years ended 31st March, 2003 and 2002.

6. Taxation Credit

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current tax (<i>note 6(a)(i)</i>)	—	(12)
Over provision in previous years	13	370
Transfer from deferred taxation account (<i>note 6(b)</i>)	141	85
Overseas taxation		
Current tax (<i>note 6(a)(ii)</i>)	(151)	(40)
Over provision in previous years	1	70
	<hr/>	<hr/>
	<u>4</u>	<u>473</u>

- (i) No provision for Hong Kong profits tax has been made in the accounts as the Group does not have assessable income for the year.
- (ii) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. Taxation Credit *(continued)*

(b) The amount of deferred taxation represents:

	2003		Group		2002	
	Full potential assets HK\$'000	Amount recognised HK\$'000	Full potential assets HK\$'000	Amount recognised HK\$'000	Full potential assets HK\$'000	Amount recognised HK\$'000
Accelerated depreciation allowances	590	—	243	(141)	243	(141)
Tax losses	6,705	—	6,116	—	6,116	—
	<u>7,295</u>	<u>—</u>	<u>6,359</u>	<u>(141)</u>	<u>6,359</u>	<u>(141)</u>

A potential deferred tax asset, which represents mainly timing difference arising from tax losses to be carried forward, has not been recognised in the accounts as, in the opinion of the directors, it is uncertain that such asset will be realised in the foreseeable future. At 31st March, 2003, the potential deferred tax asset amounted to approximately HK\$6,705,000 (2002: HK\$6,116,000).

Movements in the provision for deferred taxation are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
At 1st April	141	226
Transfer to profit and loss account (<i>note 6(a)</i>)	<u>(141)</u>	<u>(85)</u>
At 31st March	<u>—</u>	<u>141</u>

7. Profit/(Loss) Attributable to Shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$35,370,000 (2002: loss of HK\$10,749,000).

8. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$1,662,000 (2002: loss of HK\$33,892,000).

The basic earnings/(loss) per share is based on the weighted average number of 389,500,000 (2002: 392,924,658) 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, 2003 and 2002.

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\$450,000 (2002: HK\$524,000) less forfeited contributions utilised of HK\$92,000 (2002: HK\$114,000). Contributions of HK\$28,000 (2002: HK\$81,000) were payable to the scheme at the year end and are included in current liabilities under accrued charges. As at 31st March, 2003, there were unutilised forfeited contributions of HK\$8,300 (2002: HK\$12,000).

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:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Fees	420	360
Other emoluments		
Basic salaries and housing benefits	8,280	8,949
Contributions to defined contributions scheme	28	81
	<u>8,728</u>	<u>9,390</u>

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

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Emolument bands		
HK\$Nil — HK\$1,000,000	4	2
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$3,500,001 — HK\$4,000,000	1	2
HK\$4,000,001 — HK\$4,500,000	1	—
	<u>6</u>	<u>5</u>

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 (2002: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2002: two) individuals during the year are as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Basic salaries	1,461	1,220
Bonuses	208	163
Pensions	70	44
	<u>1,739</u>	<u>1,427</u>

The emoluments of each of the three individuals (2002: two) were below HK\$1,000,000 (2002: HK\$1,000,000).

11. Intangible Assets

	2003 HK\$'000	Group 2002 <i>HK\$'000</i>
Trademarks		
Cost		
At 1st April	2,499	2,495
Exchange difference	20	4
At 31st March	<u>2,519</u>	<u>2,499</u>
Accumulated amortisation		
At 1st April	1,674	1,505
Amortisation for the year	168	166
Exchange difference	12	3
At 31st March	<u>1,854</u>	<u>1,674</u>
Net book value at 31st March	<u>665</u>	<u>825</u>

Notes to the Accounts

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12. Fixed Assets

	Group							Total HK\$'000
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery, equipment and tools HK\$'000	Motor vehicles HK\$'000	Office and computer equipment HK\$'000	
Cost or valuation								
At 1st April, 2002	11,500	40,583	2,722	4,637	320	4,583	9,806	74,151
Additions	—	—	345	301	102	722	314	1,784
Disposals	—	—	—	(108)	—	(1,955)	(741)	(2,804)
At 31st March, 2003	11,500	40,583	3,067	4,830	422	3,350	9,379	73,131
At cost	—	40,583	3,067	4,830	422	3,350	9,379	61,631
At valuation	11,500	—	—	—	—	—	—	11,500
	<u>11,500</u>	<u>40,583</u>	<u>3,067</u>	<u>4,830</u>	<u>422</u>	<u>3,350</u>	<u>9,379</u>	<u>73,131</u>
Accumulated depreciation and impairment :								
At 1st April, 2002	—	23,141	1,537	3,220	213	1,988	7,282	37,381
Charge for the year	—	384	239	235	25	415	646	1,944
Disposals	—	—	—	(83)	—	(1,468)	(653)	(2,204)
At 31st March, 2003	—	23,525	1,776	3,372	238	935	7,275	37,121
Net book value								
At 31st March, 2003	<u>11,500</u>	<u>17,058</u>	<u>1,291</u>	<u>1,458</u>	<u>184</u>	<u>2,415</u>	<u>2,104</u>	<u>36,010</u>
At 31st March, 2002	<u>11,500</u>	<u>17,442</u>	<u>1,185</u>	<u>1,417</u>	<u>107</u>	<u>2,595</u>	<u>2,524</u>	<u>36,770</u>

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

	Group	
	2003 HK\$'000	2002 HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	26,343	26,681
Outside Hong Kong, held on:		
Leases of over 50 years	2,215	2,261
	<u>28,558</u>	<u>28,942</u>

12. Fixed Assets *(continued)*

- (b) Investment properties were revalued as at 31st March, 2003 on the basis of their open market value by Jones Lang LaSalle Limited, an independent firm of chartered surveyors.
- (c) As at 31st March, 2003 and 2002, the investment properties and leasehold land and buildings in Hong Kong were charged to a bank to secure banking facilities granted to the Group (*note 21*).
- (d) As at 31st March, 2003, the net book value of fixed assets held by the Group under finance leases amounted to HK\$1,594,000 (2002: HK\$1,279,000).

13. Investments in Subsidiaries

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares/investments, at cost	68,192	68,725
Amounts due from subsidiaries (<i>note 13(b)</i>)	79,509	83,068
	<u>147,701</u>	<u>151,793</u>
Less: provision for diminution in value	(71,596)	(41,858)
	<u><u>76,105</u></u>	<u><u>109,935</u></u>

- (a) Particulars of the Company's principal subsidiaries are set out in note 25 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.

14. Inventories

	Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	464	5,674
Work in progress	616	2,186
Finished goods	5,486	6,398
	<u><u>6,566</u></u>	<u><u>14,258</u></u>

At 31st March, 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK\$3,682,000 (2002: HK\$4,167,000). The inventories are stated after a provision of HK\$2,563,000 (2002: HK\$2,050,000).

15. Trade Receivables

(a) At 31st March, 2003, the ageing analysis of the trade receivables was as follows:

	2003 HK\$'000	Group 2002 <i>HK\$'000</i>
Below 1 month	654	6,581
1 to 3 months	574	15
4 to 6 months	352	16
7 to 9 months	10	6
10 to 12 months	1	60
Over 1 year	117	121
	1,708	6,799
Less: Provision for bad and doubtful debts	(99)	<i>(77)</i>
	<u>1,609</u>	<u>6,722</u>

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

(b) As at 31st March, 2003, trade receivables included amounts totalling HK\$922,000 (2002: HK\$1,906,000) which were factored to a bank in the ordinary course of business.

16. Trade Payables

At 31st March, 2003, the ageing analysis of trade payables was as follows:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Below 1 month	377	58
1 to 3 months	53	11
4 to 6 months	317	2
7 to 9 months	124	41
10 to 12 months	504	18
Over 1 year	446	385
	<u>1,821</u>	<u>515</u>

17. Share Capital

	Company Ordinary shares of HK\$0.1 each			
	2003		2002	
	No. of shares	HK\$'000	No. of shares	<i>HK\$'000</i>
Authorised:				
At 31st March, 2001, 31st March, 2002 and 31st March, 2003	<u>1,000,000,000</u>	<u>100,000</u>	1,000,000,000	<u>100,000</u>
Issued and fully paid:				
At 1st April	389,500,000	38,950	396,000,000	39,600
Repurchase of shares	<u>—</u>	<u>—</u>	(6,500,000)	(650)
At 31st March	<u>389,500,000</u>	<u>38,950</u>	<u>389,500,000</u>	<u>38,950</u>

18. Reserves

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share premium				
At 1st April	42,032	46,022	42,032	46,022
Repurchase of shares	—	(3,990)	—	(3,990)
At 31st March	42,032	42,032	42,032	42,032
Contributed surplus (note 18(a))				
At 1st April and 31st March	—	—	67,992	67,992
Exchange fluctuation reserve				
At 1st April	33	95	—	—
Exchange difference arising on translation of the accounts of overseas subsidiaries	(28)	(8)	—	—
Exchange reserve realised in the consolidated profit and loss account upon liquidation of a jointly controlled entity	—	(54)	—	—
At 31st March	5	33	—	—
Reserve on consolidation (note 18(c))				
At 1st April	3,214	3,214	—	—
Written back upon deregistration of a subsidiary	(1,000)	—	—	—
At 31st March	2,214	3,214	—	—
(Accumulated losses)/retained profits				
At 1st April	(19,290)	14,602	(37,334)	(26,585)
Profit/(loss) attributable to shareholders	1,662	(33,892)	(35,370)	(10,749)
At 31st March	(17,628)	(19,290)	(72,704)	(37,334)
Total reserves	26,623	25,989	37,320	72,690

- (a) The contributed surplus at 31st March, 2003, and 31st March, 2002 of HK\$67,992,000 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 shareholders, 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.

18. Reserves *(continued)*

- (b) As at 31st March, 2003 and 2002, the Group's accumulated losses are attributable to the Company and its subsidiaries.
- (c) Reserve on consolidation arising from 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.

19. Long-term Liabilities

	Group	
	2003	2002
	HK\$'000	HK\$'000
Bank loans — secured	14,963	23,088
Obligations under finance leases	1,373	1,233
Provision for long service payment (<i>note 19(a)</i>)	646	—
Deferred taxation (<i>note 6(b)</i>)	—	141
	16,982	24,462
Less: Current portion of long-term liabilities	(11,469)	(9,508)
	5,513	14,954

At 31st March, 2003 and 2002, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group			
	Secured bank loans		Obligations under finance leases	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	11,124	9,240	345	268
In the second year	3,839	9,240	349	965
In the third to fifth year inclusive	—	4,608	679	—
	14,963	23,088	1,373	1,233

- (a) The amount was provided for long service gratuity to employees with respect of the Group's obligations under the Hong Kong Employment Ordinance in certain specific circumstances.

20. Notes to the Consolidated Cash Flow Statement

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Profit/(loss) before taxation	1,080	(34,365)
Amortisation of trademarks	168	166
Depreciation of owned fixed assets	1,709	1,956
Depreciation of fixed assets held under finance leases	235	33
Net loss on disposal of fixed assets	510	224
Revaluation deficit on investment properties	—	304
Write-off of textile quota deposits	—	18,896
Interest income	(3,131)	(680)
Interest on bank loans, overdrafts and other incidental borrowing costs	2,614	4,288
Interest element of finance leases	47	181
Share of profit of a jointly controlled entity	—	(150)
Written back of reserve upon deregistration of a subsidiary	(1,000)	—
Operating profit/(loss) before working capital changes	2,232	(9,147)
Decrease in inventories	7,692	4,860
Decrease in trade and other receivables, textile quota deposits and prepayments	14,632	27,898
Decrease/(increase) in trading securities	2,025	(2,025)
Decrease in trade payables and accrued charges	(1,671)	(2,609)
Effect of foreign exchange rate changes	(37)	(63)
Net cash inflow generated from operations	<u>24,873</u>	<u>18,914</u>

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

(b) Analysis of changes in financing during the year

	Group							
	Share capital including share premium		Bank loans		Finance leases		Minority interests	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Balance at 1st April	80,982	85,622	25,308	59,607	1,233	902	—	—
Inception of finance leases	—	—	—	—	612	1,204	—	—
Repurchase of shares	—	(4,640)	—	—	—	—	—	—
Share of loss of a subsidiary	—	—	—	—	—	—	(578)	—
Cash (outflow)/inflow from financing	—	—	(10,345)	(34,299)	(472)	(873)	1,809	—
Balance at 31st March	<u>80,982</u>	<u>80,982</u>	<u>14,963</u>	<u>25,308</u>	<u>1,373</u>	<u>1,233</u>	<u>1,231</u>	<u>—</u>

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	33,140	34,682
Bank overdrafts — unsecured	—	(26)
Trust receipt and other bank loans	—	(14,801)
Bank loans — secured	(14,963)	(23,088)
Less: Trust receipt and other bank loans repayable more than three months from the date of advance	14,963	25,308
	<u>33,140</u>	<u>22,075</u>

(d) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK\$612,000 (2002: HK\$1,204,000).

21. Banking Facilities

As at 31st March, 2003, the Group's banking facilities amounting to HK\$192,074,000 (2002: HK\$231,688,000) were secured by the following:

- (a) charge on bank deposits of the Group amounting to HK\$2,035,000 (2002: Nil);
- (b) first legal charge over investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of HK\$26,343,000 (2002: HK\$26,681,000) (note 12); and
- (b) corporate guarantees from the Company and certain subsidiaries of the Group.

22. Contingent Liabilities

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2003 amounted to HK\$15,977,000 (2002: HK\$37,915,000).

23. Commitments

(a) Capital commitments

The Group had no capital commitments in respect of the acquisition of fixed assets (2002: HK\$568,000).

(b) Commitments under operating leases

At 31st March, 2003, future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group				Company	
	2003		2002		2003	2002
	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	2,177	14	1,313	14	1,296	1,050
Later than one year and not later than five years	1,086	—	56	—	972	—
	3,263	14	1,369	14	2,268	1,050

23. Commitments *(continued)*

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

At 31st March, 2003, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	2003	Group
	HK\$'000	2002
		HK\$'000
Not later than one year	1,296	2,001
Later than one year and not later than five years	390	769
	<u>1,686</u>	<u>2,770</u>

24. Ultimate Holding Company

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

25. Particulars of Principal Subsidiaries

The principal subsidiaries of the Company at 31st March, 2003 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	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%

25. 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 <i>(continued)</i>				
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%
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	Contracting agency in the PRC	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	Manufacturing and sales of sportswear	Registered capital of RMB\$3,000,000	51%

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 before the end of the year.

26. Approval of Accounts

The accounts were approved by the board of directors on 8th July, 2003.

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

	2003 HK\$'000	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	<u>258,701</u>	<u>238,564</u>	<u>514,357</u>	<u>480,713</u>	<u>357,221</u>
Profit/(loss) before taxation	1,080	(34,365)	(69,574)	60,710	51,734
Taxation credit/(charge)	4	473	(262)	(10,285)	(3,855)
Profit/(loss) after taxation	1,084	(33,892)	(69,836)	50,425	47,879
Minority interests	578	—	—	—	—
Profit/(loss) attributable to shareholders	<u>1,662</u>	<u>(33,892)</u>	<u>(69,836)</u>	<u>50,425</u>	<u>47,879</u>
Total assets	90,453	115,315	186,283	312,987	249,411
Current liabilities	(18,136)	(35,422)	(63,054)	(144,820)	(91,318)
Total assets less current liabilities	<u>72,317</u>	<u>79,893</u>	<u>123,229</u>	<u>168,167</u>	<u>158,093</u>
Share capital	38,950	38,950	39,600	37,460	36,000
Reserves	44,251	45,279	49,331	45,002	42,162
(Accumulated losses)/retained profits	(17,628)	(19,290)	14,602	84,438	78,822
Shareholders' funds	65,573	64,939	103,533	166,900	156,984
Minority interests	1,231	—	—	—	—
Long-term liabilities	5,513	14,954	19,696	1,267	1,109
	<u>72,317</u>	<u>79,893</u>	<u>123,229</u>	<u>168,167</u>	<u>158,093</u>

Investment Properties

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Particulars of investment properties held by the Group at 31st March, 2003 are as follows:

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Takson Holdings Limited (the “Company”) will be held at Salon 1, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hunghom, Kowloon, Hong Kong on Wednesday, 27th August, 2003 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, 2003.
2. To re-elect the retiring director and to authorise the directors to fix his remuneration.
3. To re-appoint the auditors and to authorise the directors to fix their remuneration.
4. To consider as special business and, if thought fit, pass with or without amendments the following Resolutions as Ordinary Resolutions:—

A. **“THAT:—**

- (a) subject to paragraph (c) below and in substitution for all previous authorities, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company or securities convertible into shares of the Company or options, warrants or similar rights to subscribe for any shares of the Company, and to make or grant offers, agreements, options and other rights, or issue warrants and other securities including bonds, debentures and notes convertible into shares of the Company, which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options and other rights, or issue warrants and other securities, which would or might require the exercise of such powers during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or to be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to or in consequence of:—
 - (i) a Rights Issue (as hereinafter defined); or

- (ii) the exercise of any option under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares of the Company or rights to acquire shares of the Company; or
- (iii) any script dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company; or
- (iv) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to above, in the price at which shares in the Company shall be subscribed, and/or in the number of shares in the Company which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe or other securities; or
- (v) a specified authority granted by the shareholders of the Company in general meeting;

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:—

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiry of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any other applicable laws of Bermuda to be held; or
- (iii) the revocation, variation or renewal of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the directors of the Company to holders of shares in the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. **“THAT:—**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company repurchased by the Company pursuant to paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the authority pursuant to paragraph (a) above shall be limited accordingly; and
- (c) for the purposes of this Resolution:—

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiry of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any other applicable laws of Bermuda to be held; or
- (iii) the revocation, variation or renewal of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

Notice of Annual General Meeting

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- C. “**THAT** conditional upon the passing of Resolution numbered 4B, the general mandate granted to the directors of the Company (pursuant to Resolution numbered 4A or otherwise) and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares in the share capital of the Company or securities convertible into shares of the Company or options, warrants or similar rights to subscribe for any shares of the Company, and to make or grant offers, agreements, options and other rights, or issue warrants and other securities including bonds, debentures and note convertible into shares of the Company, which would or might require the exercise of such powers pursuant to Resolution numbered 4A above, be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted by the Resolution numbered 4B above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution.”

By Order of the Board
Wan Choi Chun
Company Secretary

Hong Kong, 8th July, 2003

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 registrar 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).
3. An explanatory statement containing further details regarding the Resolution numbered 4 will be sent to shareholders together with the annual report of the Company for the year ended 31st March, 2003.