



- 1 Corporate Information
 - 2 Chairman's Statement
- 6 Report of the Directors
 - 13 Auditors' Report
- 14 Consolidated Profit and Loss Account
- 15 Consolidated Balance Sheet
 - 17 Balance Sheet
- 18 Consolidated Cash Flow Statement
 - 19 Consolidated Statement of Recognised Gains and Losses
- 20 Notes to the Accounts
 - 47 Five-year Financial Summary
 - 48 Investment Properties
 - 49 Notice of Annual General Meeting



Corporate Information

Directors

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

Independent Non-Executive Directors:
Tsao Kwang Yung, Peter
Lee Kwok Cheung

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 Corporate
Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong:
Abacus Share Registrars
Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong



The Group's turnover and loss attributable to shareholders for the year ended 31st March, 2002 amounted to HK\$238.6 million and HK\$33.9 million, as compared to HK\$514.4 million and HK\$69.8 million respectively last year. The basic loss per share for the year was HK\$8.6 cents.

Dividends

After due consideration of the future working capital and development needs of the Group, the directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2002.

Review of Operations

Core business

Year 2001/02 was a difficult year for the Group. As a result of the slow-down of the economy of the United States ("US"), the Group experienced significant reduction in turnover together with a slightly thinner profit margin. Sales to the US market accounted for 84% of the Group's turnover, as compared with 92% last year. Meanwhile, efforts put by the Group in controlling the operating expenses have mitigated the effects of the unfavourable trading results.

In order to control production costs and to ensure a constant supply of textile quota, textile quota deposits are paid by the Group in advance each year to the textile quota suppliers. However, the sudden and significant reduction in the Group's turnover has resulted in some of those deposits remaining unutilised up to the expiry date and such deposits have been forfeited by the textile quota suppliers. In the year 2000/01, based on the management's best estimate with reference to the confirmed and potential sales orders at that time, an amount of HK\$18,756,000 was provided for and which was forfeited subsequently. Due to the no-show of substantial potential sales orders after the 11th September event in the US, quota deposits amounting to HK\$18,896,000 were forfeited during the year and recognised as loss in the



Chairman's Statement

accounts in the year 2001/02. No further provision or write-off of textile quota in this regard is expected in the forthcoming year.

Moreover, exposure to the risk of inadequate textile quota supply is reducing due to the gradual abolishment of the US textile quota on Mainland China's exports to the US after the admission of Mainland China to the World Trade Organisation. Such abolishment is



conducting by phases and will be accomplished by the year 2005. By 1st January, 2002, two essential categories of textile quota used by the Group for export of down-filled jackets to the US have already been cancelled.

Technology-related joint venture

The Group's earlier capital contribution to the joint venture together with the interest income amounting to approximately HK\$14.1 million was

returned to the Group in November, 2001. The liquidation of the joint venture was completed in January, 2002. The remaining assets have been wholly returned to the Group.

Application of proceeds of the new issue

Out of the remaining net proceeds of HK\$33 million brought forward from the Company's new issue of shares in the year 1997, approximately HK\$3 million has been spent for e-business and the remaining HK\$30 million will continue to be used for investment opportunities related to core business.

Prospects

Export outerwear business

Fall/Winter orders for the year 2002/03 are better than those for the previous year as US customers have cleared most of their inventories on hand and are replenishing the stock level by making more purchases. Fall/Winter orders on hand for the year 2002/03 up to the middle of July, 2002 amounted to HK\$246 million, representing an increase of 14% from the same Fall/Winter orders of HK\$216 million received up to July, 2001. Regarding Spring orders for the year 2002/03, only small amount of orders has been received to date from customers, compared to Spring orders for the year 2001/02 of HK\$39 million received up to July, 2001.

HEAD's licensee business

In December, 2001, a trademark license agreement was entered into with HEAD Sport AG ("HEAD") under which the Group is granted exclusive rights to use HEAD's brand and the rights to design,



manufacture and distribute HEAD's apparel in Greater China including Hong Kong, Macau and Taiwan. The agreement lasts for a term of 5 years and is extendable for another five years upon fulfilment of certain criteria.

The Group is now designing series of new collections for HEAD's apparel exclusively for the Mainland China market. In order to take advantage of the Group's experience in the manufacturing of down-filled jackets and skiwear, the new

products will be focused on these two types of outerwear. Another line of focus is the sport and leisure. Management believe that enthusiasm of people in Greater China towards sport will gradually increase as the Year 2008 Olympic Games, which will be held in Beijing, is approaching. Focusing on designing sports and casual wear will therefore be a main strategy of the Group in the next few years. Furthermore, in order to maintain an international image and high qualities of the licensed products, a high but affordable price will be offered for sales.

In May, 2002, the Group entered into an agreement with a third party to form a Sino-foreign equity joint venture enterprise in Wuhan which formed the distribution arm for sales of the licensed



products in Mainland China. The joint venture enterprise plans to open a total of eight specialty outlets, respectively four each in Wuhan and Harbin, by the end of 2002. Formal sales activities are expected

to be launched by that time and the management believe that the licensee business will generate rewarding contributions to the Group's results for the year 2002/03.



Two years later and upon the success of its specialty outlets, the Group may penetrate the market by franchising its business in Mainland China.

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 surplus funds generated from operating activities amounted to approximately HK\$19 million for the year ended 31st March, 2002.

Chairman's Statement

The Group's net borrowings representing bank loans and overdrafts and obligations under finance leases at 31st March, 2002 amounted to approximately HK\$39,148,000 (2001: HK\$70,501,000). Of the total amounts of bank loans and overdrafts and obligations under finance leases outstanding as at the year end, 62.2% (2001: 72.4%) are repayable within the next year, 26.1% (2001: 25.4%) 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 remained at 2.2 at 31st March, 2002 and 31st March, 2001. The Group's gearing ratio at 31st March, 2002 was 0.8 (2001: 0.8) which is calculated based on the Group's total liabilities of HK\$50,376,000 (2001: HK\$82,750,000) and the shareholders' funds of HK\$64,939,000

(2001: HK\$103,533,000). As at 31st March, 2002, the Group's cash and bank balances amounted to HK\$34,682,000 compared to HK\$42,889,000 at 31st March, 2001. 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.



The Group's revenues and borrowings, except for a bank loan of HK\$23 million which is denominated in Hong Kong dollars, are primarily denominated in United States dollars in order to minimise exposure on foreign exchange fluctuations. So the Group has no significant exposure to foreign exchange rate fluctuations.

Employees

As of 31st March, 2002, the Group had a total of 73 employees. This compares to 91 employees as of 31st March, 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 Directors, I would like to thank our business partners and shareholders for their continued support and to extend my appreciation to all managers and staff for their dedicated hard work towards the business of the Group.

Wong Tek Sun, Takson

Chairman

Hong Kong, 17th July, 2002

The directors submit their report together with the audited accounts for the year ended 31st March, 2002.

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. The Group's e-business was discontinued during the year.

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:

	2002	2001
	%	%
Sales		
– the largest customer	39	53
– five largest customers combined	97	93
Purchases		
– the largest supplier	27	21
– five largest suppliers combined	62	46

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 14.

The directors do not recommend the payment of a dividend for the year ended 31st March, 2002.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

Report of the Directors

Share Capital

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31st March, 2002 amounted to HK\$30,658,000 (2001: HK\$41,407,000).

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 47.

Purchase, Sale or Redemption of Shares

On 27th August, 2001, 4,500,000 ordinary shares of HK\$0.10 each in the Company were repurchased by the Company at HK\$0.40 per share through The Stock Exchange of Hong Kong Limited. Another 2,000,000 ordinary shares of HK\$0.10 each in the Company were repurchased by the Company at HK\$1.42 per share through The Stock Exchange of Hong Kong Limited on 18th January, 2002. The shares repurchased, involving a total cash consideration of approximately HK\$4.6 million, have been duly cancelled.

Apart from the aforesaid, 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

Details of the Company's principal subsidiaries as at 31st March, 2002 are set out in note 30 to the accounts.

Analysis of Bank Loans, Overdrafts and Other Borrowings

The Group's bank loans, overdrafts and other borrowings as at 31st March, 2002 are repayable over the following periods:

	Bank overdrafts <i>HK\$'000</i>	Trust receipt and other bank loans <i>HK\$'000</i>	Other borrowings <i>HK\$'000</i>
Within one year	26	24,041	268
In the second year	–	9,240	965
In the third to fifth year inclusive	–	4,608	–
	<u>26</u>	<u>37,889</u>	<u>1,233</u>

Directors

The directors during the year were:

Mr. Wong Tek Sun, Takson

Ms. Pang Shu Yuk, Adeline Rita

Mr. Lian Cheng Chi

Mr. Tsao Kwang Yung, Peter*

Mr. Lee Kwok Cheung*

* *independent non-executive directors*

The directors of the Company, including independent non-executive directors but excluding the Chairman, are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with clause 87 of the Company's Bye-laws.

In accordance with the Company's Bye-laws, Mr. Lee Kwok Cheung 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, Ms. Pang Shu Yuk, Adeline Rita and Mr. Lian Cheng Chi, 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 51, 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. Mr. Wong has over 25 years' experience in 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 43, 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. Ms. Pang joined the Group in 1983 and is the wife of Mr. Wong Tek Sun, Takson.

Mr. Lian Cheng Chi, age 59, is responsible for the sale and marketing of the Group's products to China national product stores in Hong Kong and certain sourcing functions of the Group. He holds a degree in Chinese language from Fujian Hua Chiao University in the PRC. He joined the Group in 1974 and has extensive experience in the garment industry. He is a brother-in-law of Mr. Wong Tek Sun, Takson.

Report of the Directors

Directors and Senior Management *(continued)*

Independent Non-Executive Directors

Mr. Tsao Kwang Yung, Peter, CBE, CPM, age 68, 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 53, 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.

Senior Management

Ms. Wan Choi Chun, Dorothy, age 31, 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 35, 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 36, 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 44, 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 43, 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.

Connected Transactions

A related party transaction, which also constitutes a connected transaction under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, is as follows:

On 26th March, 2002, Takson Garment Manufacturing Company, Limited ("Takson Garment"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Run Gain Development Limited ("Run Gain"), to purchase a residential property in Shanghai, the PRC from Run Gain at a consideration of approximately HK\$2,179,000 payable in cash within 30 days from the date of the Sale and Purchase Agreement. The consideration was arrived at based on a valuation carried out by an independent certified valuer in the PRC as at 28th January, 2002. The property which has a gross floor area of 171.39 square metre will be used as quarters for employees of Takson Garment when they travel to Shanghai for business trips.

Run Gain is a company controlled and owned by a trust established for the benefit of the family members of Mr. Wong Tek Sun, Takson, a director who is also a substantial shareholder of the Company. As such, Run Gain is a connected person of the Company, as defined in the Listing Rules. Entering into the Sale and Purchase Agreement by Takson Garment and Run Gain therefore constitutes a connected transaction pursuant to the Listing Rules.

The Sale and Purchase Agreement has been entered into on normal commercial terms. The consideration for the transaction was paid in cash in April, 2002.

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.

Report of the Directors

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

As at 31st March, 2002, 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:

Name of director	Number of ordinary shares in the Company beneficially held				
	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

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, 2002, 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, 2002, 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. (Note)	237,600,000
Takson International Holdings Limited (Note)	237,600,000

Substantial Shareholders *(continued)*

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, 2002, 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 in matters coming within the scope of the audit of the Group. It also reviews the effectiveness both of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Tsao Kwang Yung, Peter and Mr. Lee Kwok Cheung. Two meetings were held during the current financial 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, 2002, except that the independent 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, 17th July, 2002

Auditors' Report



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 14 to 46 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, 2002 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, 17th July, 2002

Consolidated Profit and Loss Account

For the year ended 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	238,564	514,357
Cost of sales		(205,652)	(439,178)
Gross profit		32,912	75,179
Other revenues	2	1,919	4,246
Distribution costs		(6,802)	(15,157)
Administrative expenses		(39,179)	(47,996)
Impairment loss on leasehold land and buildings		–	(35,620)
Provision for loss on down materials		–	(16,588)
Write-off of/provision for textile quota deposits	5	(18,896)	(18,756)
Operating loss	3	(30,046)	(54,692)
Finance costs	6	(4,469)	(13,561)
Share of profit/(loss) of a jointly controlled entity		150	(1,321)
Loss before taxation		(34,365)	(69,574)
Taxation credit/(charge)	7(a)	473	(262)
Loss attributable to shareholders	8	(33,892)	(69,836)
Basic loss per share	9	(8.6 cents)	(18.2 cents)

Consolidated Balance Sheet

As at 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Intangible assets	12	825	990
Fixed assets	13	36,770	35,170
Investment in a jointly controlled entity	15	–	14,004
Current assets			
Inventories	16	14,258	19,118
Trade receivables	17	6,722	9,465
Other receivables, textile quota deposits and prepayments		19,947	63,998
Tax recoverable		86	649
Trading securities	18	2,025	–
Pledged time deposits		–	24,650
Cash and bank balances		34,682	18,239
		<u>77,720</u>	<u>136,119</u>
Current liabilities			
Amount due to a related company	19	2,179	–
Trade payables	20	515	2,089
Bills payable and accrued charges		8,381	9,416
Trust receipt and other bank loans	25	14,801	30,690
Current portion of long-term liabilities	23	9,508	16,432
Taxation payable		12	518
Bank overdrafts			
– secured	25	–	3,909
– unsecured	25	26	–
		<u>35,422</u>	<u>63,054</u>
Net current assets		<u>42,298</u>	<u>73,065</u>
Total assets less current liabilities		<u>79,893</u>	<u>123,229</u>

Consolidated Balance Sheet

As at 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<i>Financed by:</i>			
Share capital	21	38,950	39,600
Reserves	22	25,989	63,933
Shareholders' funds		64,939	103,533
Long-term liabilities	23	14,954	19,696
		79,893	123,229

On behalf of the Board

Wong Tek Sun, Takson
Director

Pang Shu Yuk, Adeline Rita
Director

Balance Sheet

As at 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Investments in subsidiaries	14	109,935	127,029
Current assets			
Other receivables		568	573
Tax recoverable		1	3
Trading securities	18	2,025	–
Cash and bank balances		51	19
		<u>2,645</u>	<u>595</u>
Current liabilities			
Other payables		940	595
Net current assets		<u>1,705</u>	<u>–</u>
Total assets less current liabilities		<u>111,640</u>	<u>127,029</u>
<i>Financed by:</i>			
Share capital	21	38,950	39,600
Reserves	22	72,690	87,429
		<u>111,640</u>	<u>127,029</u>

On behalf of the Board

Wong Tek Sun, Takson
Director

Pang Shu Yuk, Adeline Rita
Director

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Net cash inflow from operating activities	24(a)	18,914	20,487
Returns on investments and servicing of finance			
Interest received		680	3,480
Interest paid		(4,288)	(13,460)
Interest element of finance leases		(181)	(101)
Dividends paid		–	(41,206)
Net cash outflow from returns on investments and servicing of finance		(3,789)	(51,287)
Taxation			
Hong Kong profits tax refunded/(paid)		646	(6,771)
Overseas tax paid		(201)	(596)
Total tax refunded/(paid)		445	(7,367)
Investing activities			
Purchases of fixed assets		(745)	(1,529)
Proceeds from liquidation of a jointly controlled entity		12,975	–
Repayment from/(advance to) a jointly controlled entity		1,179	(207)
Proceeds from disposal of fixed assets		11	24
Net cash inflow/(outflow) from investing activities		13,420	(1,712)
Net cash inflow/(outflow) before financing		28,990	(39,879)
Financing	24(b)		
Proceeds from exercise of share options		–	6,420
Repurchase of shares		(4,640)	–
Net bank loans (repaid)/granted		(34,299)	2,234
Payment of capital element of finance leases		(873)	(462)
Net cash (outflow)/inflow from financing		(39,812)	8,192
Net change in pledged time deposit		24,650	3,087
Increase/(decrease) in cash and cash equivalents		13,828	(28,600)
Cash and cash equivalents at 1st April		8,247	36,847
Cash and cash equivalents at 31st March	24(c)	22,075	8,247

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March, 2002

	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Exchange (losses)/gains arising on translation of accounts of overseas subsidiaries and a jointly controlled entity not recognised in the consolidated profit and loss account	22	(8)	49
Exchange reserve realised in the consolidated profit and loss account upon liquidation of a jointly controlled entity	22	(54)	–
Loss attributable to shareholders	22	(33,892)	(69,836)
		<hr/>	<hr/>
Total recognised gains and losses		<u>(33,954)</u>	<u>(69,787)</u>

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 and trading securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new/revised standards is set out in the accounting policies below.

(b) Consolidation

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

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or registered/issued share capital or controls the composition of its 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.

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.

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.

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.

Notes to the Accounts

1. Principal Accounting Policies *(continued)*

(c) Jointly controlled entity

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

(d) 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.

(e) 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 portion 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.

(ii) *Leasehold land and buildings*

Leasehold land and buildings 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 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%.

1. Principal Accounting Policies *(continued)*

(e) Fixed assets *(continued)*

(iv) Depreciation of leasehold buildings

Depreciation of leasehold buildings 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 except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(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.

(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.

Notes to the Accounts

1. Principal Accounting Policies *(continued)*

(f) 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 long-term liabilities 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.

In accordance with SSAP 14 (revised), the Group is required to disclose the aggregate future minimum lease payments, analysed into the periods on which the payment is to be made. This is a change from previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires. Comparative information has also been restated to conform to the new disclosure requirement.

(g) 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.

(h) 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. In prior years, the cost of inventories was determined on a first-in, first-out basis. On 1st April, 2001, the directors adopted the weighted average basis for inventory cost determination as they considered that it would be more appropriate to the Group's circumstances. This basis has been applied prospectively as this change in costing method does not have a material impact on the state of affairs of the Group or its results for the years ended 31st March, 2001 and 2002.

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

1. Principal Accounting Policies *(continued)*

(i) 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.

(j) 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.

(k) 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 accounts of subsidiaries and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves. Upon disposal, the related cumulative exchange difference is included in the consolidated profit and loss account as part of the gain or loss on disposal.

(l) 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.

(m) 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.

(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 outflow is probable, it will then be recognised as a provision.

Notes to the Accounts

1. Principal Accounting Policies *(continued)*

(o) Retirement benefit costs

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 monthly 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.

(p) 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.

(q) Segment reporting

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

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and 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 13*).

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.

(r) 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.

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

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

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

1. Principal Accounting Policies *(continued)*

(s) Dividends

In accordance with SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in note 22, this change has resulted in an increase in opening retained profits at 1st April, 2001 by HK\$nil (1st April, 2000: HK\$41,206,000) which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31st March, 2000 although not declared until after the balance sheet date.

2. Turnover, Revenue and Segment Information

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and providing technical support services for website development during the year. In October, 2001, the Group terminated the services for the provision of technical support for website development and since then this activity is no longer a principal operation of the Group.

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover		
Sales of garments	238,564	514,357
Other revenues		
Income from sample sales	77	766
Interest income	680	3,480
Rental income	1,162	–
	1,919	4,246
Total revenues	240,483	518,603

Notes to the Accounts

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

Primary reporting format – business segments

	Year ended 31st March, 2002			Total
	Sales of outerwear garments	E-business	Other operations	
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>	<u>(30,612)</u>
Interest income	678	–	2	680
Unallocated costs				<u>(114)</u>
Operating loss				<u>(30,046)</u>
Finance costs				<u>(4,469)</u>
Share of profit of a jointly controlled entity				<u>150</u>
Loss before taxation				<u>(34,365)</u>
Taxation credit				<u>473</u>
Loss attributable to shareholders				<u>(33,892)</u>
Segment assets	85,370	–	27,799	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	1,552	9	428	1,989
Amortisation charge	166	–	–	166
Impairment charge	–	–	–	–
Other significant non-cash expenses other than depreciation and amortisation	18,896	–	–	18,896

Notes to the Accounts

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

Primary reporting format – business segments *(continued)*

Year ended 31st March, 2001

HK\$'000

	Sales of outerwear garments	E-business	Other operations	Total
Turnover	<u>514,357</u>	<u>–</u>	<u>–</u>	<u>514,357</u>
Segment operating loss	<u>(18,470)</u>	<u>(2,305)</u>	<u>(37,189)</u>	(57,964)
Interest income	3,157	323	–	3,480
Unallocated costs				<u>(208)</u>
Operating loss				(54,692)
Finance costs				(13,561)
Share of loss of a jointly controlled entity	–	(1,321)	–	<u>(1,321)</u>
Loss before taxation				(69,574)
Taxation charge				<u>(262)</u>
Loss attributable to shareholders				<u>(69,836)</u>
Segment assets	143,690	233	28,279	172,202
Investment in a jointly controlled entity				14,004
Unallocated assets				<u>77</u>
Total assets				<u>186,283</u>
Segment liabilities	45,969	667	301	46,937
Unallocated liabilities				<u>35,813</u>
Total liabilities				<u>82,750</u>
Capital expenditure	1,517	104	–	1,621
Depreciation	1,625	34	1,370	3,029
Amortisation charge	166	–	–	166
Impairment charge	–	–	35,620	35,620
Other significant non-cash expenses other than depreciation and amortisation	35,344	–	–	35,344

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

Notes to the Accounts

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

Secondary reporting format – geographical segments

	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		(114)		
Operating loss		<u>(30,046)</u>		
	Year ended 31st March, 2001			
	HK\$'000			
	Turnover	Segment operating profit/(loss)	Total assets	Capital expenditure
United States of America	473,395	(23,064)	8,772	–
Europe	27,404	815	–	–
Canada	8,477	292	–	–
Hong Kong	3,841	(36,052)	143,110	569
Others	1,240	45	20,397	1,052
	<u>514,357</u>	<u>(57,964)</u>	<u>172,279</u>	<u>1,621</u>
Interest income		3,480		
Unallocated costs		(208)		
Operating loss		<u>(54,692)</u>		
Investment in a jointly controlled entity			14,004	
Total assets			<u>186,283</u>	

There are no sales between the geographical segments.

Notes to the Accounts

3. Operating Loss

Operating loss is stated after crediting and charging the following:

	2002	Group
	HK\$'000	2001 HK\$'000
Crediting		
Reversal of write-down of inventories	<u>–</u>	<u>879</u>
Charging		
Amortisation of trademarks	166	166
Auditors' remuneration	608	624
Depreciation		
Owned fixed assets	1,956	2,771
Leased fixed assets	33	258
Net exchange losses	7	215
Net loss on disposal of fixed assets	224	–
Operating leases		
Land and buildings	2,063	1,093
Hire of machinery and equipment	116	125
Outgoings in respect of investment properties	124	–
Write-off of/provision for bad and doubtful debts	1,726	–
Provision for write-down of inventories	117	–
Revaluation deficit on investment properties	304	–
Unrealised losses on trading securities	<u>534</u>	<u>–</u>

4. Staff Costs

	2002	Group
	HK\$'000	2001 HK\$'000
Wages and salaries	12,809	20,009
Redundancy costs	–	1,449
Retirement benefit costs	<u>329</u>	<u>319</u>
Total staff costs, excluding directors' emoluments	<u>13,138</u>	<u>21,777</u>

Notes to the Accounts

5. Write-off of/provision for textile quota deposits

The write-off of textile quota deposits for the current year of HK\$18,896,000 was related to quota categories which could not be utilised before the expiry date. The provision for loss on textile quota deposits made in the previous year of HK\$18,756,000 was related to the quota categories which were at that time estimated not to be utilised before the expiry date.

6. Finance Costs

	2002	Group
	HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts	4,224	13,433
Interest element of finance leases wholly repayable within five years	181	101
Other incidental borrowing costs	64	27
	<hr/>	<hr/>
Total borrowing costs incurred	<u>4,469</u>	<u>13,561</u>

7. Taxation Credit/(Charge)

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

	2002	Group
	HK\$'000	2001 HK\$'000
Hong Kong profits tax		
Current tax (<i>note 7(a)(i)</i>)	(12)	(371)
Over provision in previous years	370	190
Transfer from deferred taxation account (<i>note 7(b)</i>)	85	186
Overseas taxation		
Current tax (<i>note 7(a)(iii)</i>)	(40)	(212)
Over/(under) provision in previous years	70	(55)
	<hr/>	<hr/>
	<u>473</u>	<u>(262)</u>

- (i) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit 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.

Notes to the Accounts

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

(b) The amount of deferred taxation represents:

	Group			
	2002			2001
	Full potential assets HK\$'000	Amount recognised HK\$'000	Full potential (liabilities)/ assets HK\$'000	Amount recognised HK\$'000
Accelerated depreciation allowances	243	(141)	(997)	(226)
Tax losses	6,116	–	6,082	–
	<u>6,359</u>	<u>(141)</u>	<u>5,085</u>	<u>(226)</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, 2002, the potential deferred tax asset amounted to approximately HK\$6,116,000 (2001: HK\$6,082,000).

Movements in the provision for deferred taxation are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
At 1st April	226	412
Transfer to profit and loss account <i>(note 7(a))</i>	(85)	(186)
At 31st March	<u>141</u>	<u>226</u>

8. Loss Attributable to Shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$10,749,000 (2001: loss of HK\$31,643,000).

9. Loss Per Share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$33,892,000 (2001: loss of HK\$69,836,000).

The basic loss per share is based on the weighted average number of 392,924,658 (2001: 384,743,014) ordinary shares in issue during the year. No diluted loss per share is presented for the years ended 31st March, 2002 and 2001 as there is no dilutive potential ordinary share for the year ended 31st March, 2002 and the exercise of share options has an anti-dilutive effect for the year ended 31st March, 2001.

Notes to the Accounts

10. Retirement Benefit Costs

The retirement benefit costs charged to the profit and loss account represent gross contributions payable by the Group to the retirement scheme of HK\$524,000 (2001: HK\$744,000) less forfeited contributions utilised of HK\$114,000 (2001: HK\$391,000). Contributions of HK\$81,000 (2001: HK\$nil) were payable to the scheme at the year end and are included in current liabilities under bills payable and accrued charges. As at 31st March, 2002, there were unutilised forfeited contributions of HK\$12,000 (2001: HK\$154,000).

11. Directors' and Senior Management's Emoluments

(a) Directors' remuneration

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

	2002	2001
	HK\$'000	HK\$'000
Fees	360	360
Other emoluments		
Share options exercised	–	9,844
Basic salaries and housing benefits	8,949	9,761
Contributions to defined contributions scheme	81	34
	<u>9,390</u>	<u>19,999</u>

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

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
HK\$Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$3,500,001 – HK\$4,000,000	2	–
HK\$7,500,001 – HK\$8,000,000	–	1
HK\$8,500,001 – HK\$9,000,000	–	1
	<u>5</u>	<u>6</u>

11. 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 three (2001: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: one) individuals (each of them earned less than HK\$1,000,000) during the year are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Basic salaries	1,220	576
Bonuses	163	110
Pensions	44	27
	<u>1,427</u>	<u>713</u>

12. Intangible Assets

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trademarks		
Cost		
At 1st April	2,495	2,499
Exchange difference	4	(4)
At 31st March	<u>2,499</u>	<u>2,495</u>
Accumulated amortisation		
At 1st April	1,505	1,341
Amortisation for the year	166	166
Exchange difference	3	(2)
At 31st March	<u>1,674</u>	<u>1,505</u>
Net book value at 31st March	<u>825</u>	<u>990</u>

Notes to the Accounts

13. Fixed Assets

	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	Total HK\$'000
Cost or valuation								
At 1st April, 2001	-	68,500	2,840	4,650	321	3,389	9,914	89,614
Additions	-	2,265	162	123	-	1,194	384	4,128
Transfers	30,182	(30,182)	-	-	-	-	-	-
Revaluation	(18,682)	-	-	-	-	-	-	(18,682)
Disposals	-	-	(280)	(136)	(1)	-	(492)	(909)
	<u>11,500</u>	<u>40,583</u>	<u>2,722</u>	<u>4,637</u>	<u>320</u>	<u>4,583</u>	<u>9,806</u>	<u>74,151</u>
At 31st March, 2002	11,500	40,583	2,722	4,637	320	4,583	9,806	74,151
At cost	-	40,583	2,722	4,637	320	4,583	9,806	62,651
At valuation	11,500	-	-	-	-	-	-	11,500
	<u>11,500</u>	<u>40,583</u>	<u>2,722</u>	<u>4,637</u>	<u>320</u>	<u>4,583</u>	<u>9,806</u>	<u>74,151</u>
Accumulated depreciation and impairment								
At 1st April, 2001	-	41,100	1,481	3,067	195	1,723	6,878	54,444
Charge for the year	-	419	209	259	19	265	818	1,989
Transfers	18,378	(18,378)	-	-	-	-	-	-
Revaluation	(18,378)	-	-	-	-	-	-	(18,378)
Disposals	-	-	(153)	(106)	(1)	-	(414)	(674)
	<u>-</u>	<u>23,141</u>	<u>1,537</u>	<u>3,220</u>	<u>213</u>	<u>1,988</u>	<u>7,282</u>	<u>37,381</u>
At 31st March, 2002	-	23,141	1,537	3,220	213	1,988	7,282	37,381
Net book value								
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>
At 31st March, 2001	<u>-</u>	<u>27,400</u>	<u>1,359</u>	<u>1,583</u>	<u>126</u>	<u>1,666</u>	<u>3,036</u>	<u>35,170</u>

13. 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:

	2002	Group
	HK\$'000	2001 HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	26,681	27,400
Outside Hong Kong, held on:		
Leases of over 50 years	2,261	–
	28,942	27,400

- (b) Investment properties were revalued as at 31st March, 2002 on the basis of their open market value by Landscape Surveyors Limited, an independent firm of chartered surveyors.
- (c) As at 31st March, 2002 and 2001, 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 25*).
- (d) As at 31st March, 2002, the net book value of fixed assets held by the Group under finance lease amounted to HK\$1,279,000 (2001:HK\$1,461,000).

14. Investments in Subsidiaries

	2002	Company
	HK\$'000	2001 HK\$'000
Unlisted shares/investments, at cost	68,725	68,725
Amounts due from subsidiaries (<i>note 14(b)</i>)	83,068	89,955
	151,793	158,680
Less: Provision for diminution in value	(41,858)	(31,651)
	109,935	127,029

- (a) Particulars of the Company's principal subsidiaries are set out in note 30 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.

Notes to the Accounts

14. Investments in Subsidiaries *(continued)*

- (c) The Group is required to contribute HK\$1,560,000 (equivalent to US\$200,000) to a newly incorporated subsidiary, Shanghai Global Sportswear Inc. as its registered capital on or before 15th November, 2002 (*note 27(a)*). As at 31st March, 2002, HK\$234,000 (equivalent to US\$30,000) has been injected by the Group to that subsidiary.

15. Investment in a Jointly Controlled Entity

	2002	Group
	HK\$'000	2001
		<i>HK\$'000</i>
Share of net assets	–	12,825
Advance to a jointly controlled entity	–	1,179
	<u>–</u>	<u>14,004</u>
	<u>–</u>	<u>14,004</u>

As at 31st March, 2001, the investment in a jointly controlled entity represented investment in Cyber Culture Company Limited (“Cyber Culture”), a 50:50 Sino-foreign equity joint venture enterprise. On 2nd January, 2001, the Group and the joint venture partner in the People’s Republic of China (“PRC”) entered into an agreement for the dissolution of Cyber Culture.

In January, 2002, the liquidation of Cyber Culture was completed. The remaining assets have been wholly returned to the Group.

16. Inventories

	2002	Group
	HK\$'000	2001
		<i>HK\$'000</i>
Raw materials	5,674	15,221
Work in progress	2,186	2,329
Finished goods	6,398	1,568
	<u>14,258</u>	<u>19,118</u>
	<u>14,258</u>	<u>19,118</u>

At 31st March, 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK\$4,167,000 (2001: HK\$nil). The inventories are stated after a provision of HK\$2,050,000 (2001: HK\$19,718,000 of which HK\$16,588,000 was written off during the year ended 31st March, 2002).

17. Trade Receivables

(a) At 31st March, 2002, the ageing analysis of the trade receivables was as follows:

	Group	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Current	6,581	7,588
1 to 3 months	15	1,503
4 to 6 months	16	63
7 to 9 months	6	145
10 to 12 months	60	3
Over 1 year	121	229
	<hr/>	<hr/>
	6,799	9,531
Less: Provision for bad and doubtful debts	(77)	(66)
	<hr/>	<hr/>
	6,722	9,465
	<hr/> <hr/>	<hr/> <hr/>

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, 2002, trade receivables included amounts totalling HK\$1,906,000 (2001: HK\$6,662,000) which were factored to a bank in the ordinary course of business and the recourse element of the proceeds is recorded as trust receipt and other bank loans under current liabilities.

18. Trading Securities

	Group and Company	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Equity securities:		
Listed in Hong Kong, at market value	2,025	–
	<hr/> <hr/>	<hr/> <hr/>

19. Amount Due to a Related Company

The amount due to a related company is unsecured, interest-free and represents consideration payable for the acquisition of a leasehold land and building by the Group (*note 28*). The amount is repayable within 30 days from the balance sheet date.

Notes to the Accounts

20. Trade Payables

At 31st March, 2002, the ageing analysis of trade payables was as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Current	58	239
1 to 3 months	11	530
4 to 6 months	2	422
7 to 9 months	41	245
10 to 12 months	18	–
Over 1 year	385	653
	515	2,089

21. Share Capital

	Company			
	Ordinary share of HK\$0.1 each			
	2002		2001	
	No. of shares	<i>HK\$'000</i>	No. of shares	<i>HK\$'000</i>
Authorised:				
At 31st March, 2000, 31st March, 2001 and 31st March, 2002	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
At 1st April	396,000,000	39,600	374,600,000	37,460
Issue of shares upon exercise of share options	–	–	21,400,000	2,140
Repurchase of shares	(6,500,000)	(650)	–	–
At 31st March	389,500,000	38,950	396,000,000	39,600

On 27th August, 2001, 4,500,000 ordinary shares of HK\$0.10 each in the Company were repurchased by the Company at HK\$0.40 per share through The Stock Exchange of Hong Kong Limited. On 18th January, 2002, another 2,000,000 shares of HK\$0.10 each in the Company were repurchased by the Company at HK\$1.42 per share through The Stock Exchange of Hong Kong Limited. The shares repurchased, involving cash considerations of approximately HK\$1,800,000 and HK\$2,840,000 respectively, have been duly cancelled.

Notes to the Accounts

22. Reserves

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share premium				
At 1st April	46,022	41,742	46,022	41,742
Premium on exercise of share options	–	4,280	–	4,280
Repurchase of shares (note 21)	(3,990)	–	(3,990)	–
At 31st March	42,032	46,022	42,032	46,022
Contributed surplus (note 22(a))				
At 1st April and 31st March	–	–	67,992	67,992
Exchange fluctuation reserve				
At 1st April	95	46	–	–
Exchange difference arising on translation of accounts of overseas subsidiaries and a jointly controlled entity	(8)	49	–	–
Exchange reserve realised in the profit and loss account upon liquidation of a jointly controlled entity	(54)	–	–	–
At 31st March	33	95	–	–
Reserve on consolidation				
At 1st April and 31st March	3,214	3,214	–	–
(Accumulated losses)/retained profits				
At 1st April, as previously reported	14,602	84,438	(26,585)	5,058
Effect of adopting SSAP 9 (revised) (Note 1(s))	–	41,206	–	41,206
At 1st April, as restated	14,602	125,644	(26,585)	46,264
2000 final dividend paid	–	(41,206)	–	(41,206)
Loss attributable to shareholders	(33,892)	(69,836)	(10,749)	(31,643)
At 31st March	(19,290)	14,602	(37,334)	(26,585)
Total reserves	25,989	63,933	72,690	87,429

Notes to the Accounts

22. Reserves (continued)

- (a) The contributed surplus at 31st March, 2002, and 31st March, 2001 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.
- (b) As at 31st March, 2002, the Group's accumulated losses are attributable to the Company and its subsidiaries (2001: the Group's retained profits include accumulated losses of HK\$1,516,000 which were attributable to a jointly controlled entity).

23. Long-term Liabilities

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans – secured	23,088	35,000
Obligations under finance leases	1,233	902
Deferred taxation (<i>note 7(b)</i>)	141	226
	<u>24,462</u>	<u>36,128</u>
Less: Current portion of long-term liabilities	(9,508)	(16,432)
	<u><u>14,954</u></u>	<u><u>19,696</u></u>

At 31st March, 2002 and 2001, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group			
	Secured bank loans		Obligations under finance leases	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,240	16,042	268	390
In the second year	9,240	17,500	965	390
In the third to fifth year inclusive	4,608	1,458	–	122
	<u>23,088</u>	<u>35,000</u>	<u>1,233</u>	<u>902</u>

24. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of loss before taxation to net cash inflow from operating activities

	Group	
	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(34,365)	(69,574)
Amortisation of trademarks	166	166
Depreciation of owned fixed assets	1,956	2,771
Depreciation of fixed assets held under finance leases	33	258
Net loss/(gain) on disposal of fixed assets	224	(5)
Impairment loss on leasehold land and buildings	–	35,620
Revaluation deficit on investment properties	304	–
Provision for loss on down materials	–	16,588
Write-off of/provision for textile quota deposits	18,896	18,756
Interest income	(680)	(3,480)
Interest on bank loans, overdrafts and other incidental borrowing costs	4,288	13,460
Interest element of finance leases	181	101
Share of (profit)/loss of a jointly controlled entity	(150)	1,321
Decrease in inventories	4,860	38,440
Decrease/(increase) in trade and other receivables, textile quota deposits and prepayments	27,898	(29,505)
Increase in trading securities	(2,025)	–
Decrease in trade payables, bills payable and accrued charges	(2,609)	(4,439)
Effect of foreign exchange rate changes	(63)	9
Net cash inflow from operating activities	<u>18,914</u>	<u>20,487</u>

(b) Analysis of changes in financing during the year

	Group					
	Share capital including share premium		Bank loans		Finance leases	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Balance at 1st April	85,622	79,202	59,607	57,373	902	1,272
Inception of finance leases	–	–	–	–	1,204	92
Exercise of share options	–	6,420	–	–	–	–
Repurchase of shares	(4,640)	–	–	–	–	–
Cash (outflow)/inflow from financing	–	–	(34,299)	2,234	(873)	(462)
Balance at 31st March	<u>80,982</u>	<u>85,622</u>	<u>25,308</u>	<u>59,607</u>	<u>1,233</u>	<u>902</u>

Notes to the Accounts

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

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

	2002	Group
	HK\$'000	2001
		<i>HK\$'000</i>
Cash and bank balances	34,682	18,239
Bank overdrafts		
– secured	–	(3,909)
– unsecured	(26)	–
Trust receipt and other bank loans	(14,801)	(30,690)
Bank loans – secured	(23,088)	(35,000)
Less: Trust receipt and other bank loans repayable more than three months from the date of advance	25,308	59,607
	22,075	8,247

(d) Major non-cash transactions

- (i) 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\$1,204,000 (2001: HK\$92,000).
- (ii) The Group has purchased a leasehold land and building from a related company with a total consideration of HK\$2,179,000 which was paid after the year end (*note 28*).

25. Banking Facilities

As at 31st March, 2002, the Group's banking facilities amounting to HK\$231,688,000 (2001: HK\$324,110,000) were secured by the following:

- (a) first legal charge over investment properties and leasehold land and buildings in Hong Kong held by a subsidiary with an aggregate carrying value of HK\$26,681,000 (2001: HK\$27,400,000) (*note 13*); and
- (b) corporate guarantees from the Company and certain subsidiaries of the Group.

In addition, as at 31st March, 2001, the banking facilities were also secured on the Group's bank deposits of HK\$24,650,000. The charge on the bank deposits was released during the year ended 31st March, 2002.

26. Contingent Liabilities

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2002 amounted to HK\$37,915,000 (2001: HK\$69,006,000).

27. Commitments

(a) Capital commitments

- (i) Capital commitments in respect of the acquisition of fixed assets contracted but not provided for amounted to HK\$568,000 (2001: HK\$1,099,000).
- (ii) Capital commitments in respect of capital injection to a subsidiary amounted to HK\$1,326,000 (2001:HK\$1,170,000) (note 14(c)).
- (iii) Pursuant to a joint venture agreement dated 29th March, 2002 entered into between a subsidiary of the Company and a joint venture partner, a Sino-foreign joint venture, Nanjing Takson Meierzi Manufacturing Limited (“the joint venture”), will be set up in the PRC. The term of the joint venture is ten years commencing from 30th April, 2002. The Group is entitled to share 70% of the profit of the joint venture.

Upon the expiration of the joint venture agreement or termination before the date of expiration, liquidation shall be carried out according to the relevant laws. The liquidated assets shall be distributed in proportion to the capital injected by the venturers.

The Group is required to contribute HK\$6,552,000 (equivalent to US\$840,000) as its share of the registered capital before 30th April, 2003. On 9th May, 2002, HK\$990,600 (equivalent to US\$ 127,000) was injected by the Group into that joint venture.

(b) Commitments under operating leases

At 31st March, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group				Company	
	2002		2001		2002	2001
	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	1,313	14	1,924	14	1,050	1,562
Later than one year and not later than five years	56	–	1,213	–	–	1,024
	1,369	14	3,137	14	1,050	2,586

Notes to the Accounts

27. Commitments *(continued)*

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

At 31st March, 2002, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	2002 HK\$'000	Group 2001 HK\$'000
Not later than one year	2,001	–
Later than one year and not later than five years	769	–
	<u>2,770</u>	<u>–</u>

28. Related Party Transaction

During the year the Group had the following significant related party transaction, which was carried out in the normal course of the Group's business:

On 26th March, 2002, Takson Garment Manufacturing Company, Limited ("Takson Garment"), a subsidiary of the Company, entered into a sale and purchase agreement with Run Gain Development Limited ("Run Gain") to purchase a residential property in Shanghai in the PRC at a consideration of approximately HK\$2,179,000. The consideration was determined based on a valuation conducted by an independent valuer. The consideration for the transaction was paid in April, 2002.

Run Gain is a company which is indirectly controlled by Mr. Wong Tek Sun, Takson who is a director and a substantial shareholder of the Company.

29. Ultimate Holding Company

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

30. Particulars of Principal Subsidiaries

The principal subsidiaries of the Company at 31st March, 2002 are as follows:

Name	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. (Formerly known as B2B Garment Limited)	British Virgin Islands ("BVI")	Investment holding	1 ordinary share of US\$1	100%

30. Particulars of Principal Subsidiaries *(continued)*

Name	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 <i>(continued)</i>				
Takson (B.V.I.) Limited	BVI	Investment holding	1,000 ordinary shares of US\$1 each	100%
Interest held indirectly				
Powderhorn Establishment	Liechtenstein	Holding of trademarks	Swiss Franc 30,000	100%
Shanghai Global Sportswear Inc.	PRC	Manufacturing and sales of garments	Registered capital US\$200,000 (Paid up capital of US\$30,000)	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 in the PRC	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%

31. Approval of Accounts

The accounts were approved by the Board of Directors on 17th July, 2002.

Five-year Financial Summary

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Turnover	<u>238,564</u>	<u>514,357</u>	<u>480,713</u>	<u>357,221</u>	<u>378,767</u>
(Loss)/profit before taxation	(34,365)	(69,574)	60,710	51,734	57,911
Taxation credit/(charge)	473	(262)	(10,285)	(3,855)	(6,182)
(Loss)/profit attributable to shareholders	<u>(33,892)</u>	<u>(69,836)</u>	<u>50,425</u>	<u>47,879</u>	<u>51,729</u>
Total assets	115,315	186,283	312,987	249,411	265,629
Current liabilities	<u>(35,422)</u>	<u>(63,054)</u>	<u>(144,820)</u>	<u>(91,318)</u>	<u>(108,388)</u>
Total assets less current liabilities	<u>79,893</u>	<u>123,229</u>	<u>168,167</u>	<u>158,093</u>	<u>157,241</u>
Share capital	38,950	39,600	37,460	36,000	36,000
Reserves	45,279	49,331	45,002	42,162	42,162
(Accumulated losses)/retained profits	<u>(19,290)</u>	<u>14,602</u>	<u>84,438</u>	<u>78,822</u>	<u>77,743</u>
Shareholders' funds	64,939	103,533	166,900	156,984	155,905
Long-term liabilities	<u>14,954</u>	<u>19,696</u>	<u>1,267</u>	<u>1,109</u>	<u>1,336</u>
	<u>79,893</u>	<u>123,229</u>	<u>168,167</u>	<u>158,093</u>	<u>157,241</u>

Investment Properties

Particulars of investment properties held by the Group at 31st March, 2002 are as follows:

Location	Gross area (sq. ft.)	Type	Tenure
Workshop Unit Nos. 5 and 6 on 5th Floor, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong	6,664	Commercial	Medium lease
Workshop Unit No. 7 on 5th Floor, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong	2,897	Commercial	Medium lease
Portion A of Workshop Unit No. 6 on 3rd Floor, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, 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, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 27th August, 2002 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, 2002.
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

Notice of Annual General Meeting

- (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

Notice of Annual General Meeting

(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.”
- 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, 17th July, 2002

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 5th Floor, Wing On Centre, 111 Connaught Road Central, 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, 2002.