



CONTENTS

1	CORPORATE INFORMATION
2-5	CHAIRMAN'S STATEMENT
6-14	REPORT OF THE DIRECTORS
15	AUDITORS' REPORT
16	CONSOLIDATED PROFIT AND LOSS ACCOUNT
17	CONSOLIDATED BALANCE SHEET
18	BALANCE SHEET
19	CONSOLIDATED CASH FLOW STATEMENT
20	CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
21-44	NOTES TO THE ACCOUNTS
45	COMPARATIVE TABLE OF RESULTS, ASSETS AND LIABILITIES
46-49	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.
Hua Chiao Commercial
Bank Limited
Citic Ka Wah Bank Limited
First Pacific Bank Limited
The Hongkong and Shanghai
Banking Corporation 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
2401, Prince's Building
Central
Hong Kong

The Group's audited consolidated loss after taxation for the year ended 31st March, 2001 amounted to HK\$69.8 million, as compared to last year's profit of HK\$50.4 million, and represented a basic loss per share of 18.2 cents. The significant loss has arisen from a provision made of HK\$35.6 million for the diminution in value of the Group's office premises as well as provisions of HK\$16.6 million and HK\$18.8 million for the loss on down materials and textile quota respectively.



DIVIDENDS

After careful 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, 2001.

REVIEW OF OPERATIONS

CORE BUSINESS

The U.S. market remained to be the dominant contribution to the Group's sales and represented 92% of the Group's turnover, as compared with 84% last year.

During the year under review, the Group expanded its market share in the U.S. market to prepare itself for the change upon China's accession to the World Trade

Organisation. This business move has subjected the Group to a substantial downward price pressure, together with the average unit cost of garments remaining almost the same as that of last year, resulting in a 41% drop in gross profit despite a 7% increase in turnover. The Group's operating overhead was still high in Hong Kong.

As there was a diminution in value of the Group's office premises in Harbour Centre, Hunghom, a provision of HK\$35.6 million was made to write down the asset to its recoverable amount.

Moreover, following the change of the textile labelling requirement on down products in the U.S. in September 2000, no further orders



CHAIRMAN'S STATEMENT

have been obtained from customers on outerwear garments which could utilise certain down materials purchased in early 2000 and the usability of such materials is considered to be low, a provision of HK\$16.6 million was accordingly made on such down materials.

been spent and the other HK\$3 million will be put into use in the coming year.

TECHNOLOGY-RELATED JOINT VENTURE

Given the less than favourable prevailing industry and market



Besides, a provision of HK\$18.8 million was made for certain categories of textile quota as customers' orders are much fewer than those projected for such quota categories.

APPLICATION OF PROCEEDS OF THE NEW ISSUE

Among the total proceeds of HK\$35 million brought down from the Company's 1997 new issue of shares, approximately HK\$30 million originally set aside for investment opportunities related to core business has not yet been utilised. Of the remaining HK\$5 million reserved for funding the development of the Group's textile and garment portal website, approximately HK\$2 million has

conditions, the Group and its joint venture partner have re-assessed the business prospects of the technology-related joint venture in Beijing. On 2nd January, 2001, both parties signed an agreement to terminate the joint venture agreement and agreed to apply to the relevant government authorities for the liquidation of the joint venture. The Group's earlier capital contribution which is now mainly in the form of a bank deposit of HK\$13.8 million is expected to be returned to the Group upon the completion of liquidation of the joint venture that is expected to be before the end of year 2001. The Group has taken up all the losses of the joint venture and any further costs are not expected to be significant.

PROSPECTS

OUTERWEAR GARMENT BUSINESS

U.S. customers have placed fewer orders to the Group for the first half of the year 2001/2002 owing to the slow-down of the U.S. economy.

also streamline its operations in Hong Kong so as to be more productive.

As the U.S. and European economies appear to be sluggish, the Group plans to divert some of its resources to the distribution of

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.



Orders on hand for the year 2001/2002 up to the middle of July, 2001 amounted to about HK\$255 million. However the Group is putting more effort in negotiating with its customers for orders in the second half of the year 2001/2002.

In the coming year, the Group will place more emphasis on producing outerwear garments that demand higher labour skills and yield higher margin, using the advantage of its PRC based subcontractors which has low labour costs and high skills.

The Group's Shanghai office, being located at the hub of its production network, was opened in October, 2000 and has taken up some of the functions performed by its Hong Kong head office. The Group will

garments to the PRC where higher growth is expected so that enormous business opportunities there can be capitalised on.

B2B TEXTILE AND GARMENT PORTAL

As the information technology infrastructure available to the Group is not sufficient at the moment, the launch of our B2B textile and garment portal will be postponed to a later stage when a strategic partner is sought to provide an extensive network of suppliers and buyers. However the Group has benefited from e-commerce and increased its efficiency by linking closely with some major customers through electronic data interchange.

Total surplus funds generated from operating activities amounted to approximately HK\$20 million for the year ended 31st March, 2001.

The ratio of current assets to current liabilities of the Group was 2.2 at 31st March, 2001 compared to 1.6 at 31st March, 2000. The Group's gearing ratio at 31st March, 2001 was 0.8 (2000: 0.9) which is calculated based on the Group's total liabilities of HK\$82,750,000 (2000: HK\$146,087,000) and the shareholders' funds of HK\$103,533,000 (2000: HK\$166,900,000).

As at 31st March, 2001, the Group's cash and bank balances amounted to HK\$42,889,000 including pledged time deposits of HK\$24,650,000 compared to HK\$87,676,000 including pledged

CHAIRMAN'S STATEMENT



time deposits of HK\$27,737,000 at 31st March, 2000. The cash and bank balances together with the available banking facilities are considered sufficient to provide adequate liquidity and capital resources for the Group's ongoing operating requirements.

The Group's earnings and borrowings are primarily denominated in United States dollars in order to minimise exposure on foreign exchange fluctuations, except that the bank loan of HK\$35 million for financing the investment in the joint venture in Beijing is denominated in Hong Kong dollars. So the Group has no significant exposure to foreign exchange rate fluctuations.

EMPLOYEES

As of 31st March, 2001, the Group had a total of 91 employees. This compares to 111 employees as of 31st March, 2000.

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 and a share option scheme 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 take this opportunity to thank all managers and staff as well as our business partners and shareholders of the Group for their continued efforts and support towards the business of the Group.

Wong Tek Sun, Takson
Chairman

Hong Kong, 24th July, 2001

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March, 2001.

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, developing software and providing technical support services for website development.

An analysis of the Group's turnover and contribution to operating (loss)/profit by principal activity and market 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:

	2001	2000
	%	%
Sales		
– the largest customer	53	35
– five largest customers combined	93	88
Purchases		
– the largest supplier	21	31
– five largest suppliers combined	46	61

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 for the year ended 31st March, 2001.

RESERVES

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

REPORT OF THE DIRECTORS

FIXED ASSETS

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 19 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March, 2001 amounted to HK\$41,407,000 (2000: HK\$73,050,000).

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 45.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SUBSIDIARIES

Details of the Company's subsidiaries as at 31st March, 2001 are set out in note 27 to the accounts.

ANALYSIS OF BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31st March, 2001 are repayable over the following periods:

	Bank overdrafts	Trust receipt, export packing and other bank loans	Other borrowings
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or not exceeding one year	3,909	46,732	390
More than one year but not exceeding two years	–	17,500	390
More than two years but not exceeding five years	–	1,458	122
	<u>3,909</u>	<u>65,690</u>	<u>902</u>

DIRECTORS

The directors during the year were:

Mr. Wong Tek Sun, Takson

Ms. Pang Shu Yuk, Adeline Rita

Mr. Cheung Man Ki

(resigned on 1st December, 2000)

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, Ms. Pang Shu Yuk, Adeline Rita retires by rotation and, being eligible, offers herself for re-election.

DIRECTORS' SERVICE CONTRACTS

Ms. Pang Shu Yuk, Adeline Rita, who is subject to retirement by rotation and re-election at the Annual General Meeting, has a service contract with the Company which is determinable within one year without payment of compensation, other than statutory compensation.

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 50, 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 42, 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 58, 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, 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 67, was the former Secretary for Home Affairs of the Hong Kong Government. He graduated from National College of Food Technology in London in 1960. In 1977, 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 52, 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

Mr. Lian Fai, Brian, age 31, is the Chief Technical Officer of the Group and is responsible for the planning and strategy in information technology of the Group. He holds a Bachelor of Science degree in computer science from the Washington State University, the USA. Prior to joining the Group in 1998, he had over two years' experience in the information technology industry. He is a son of Mr. Lian Cheng Chi.

Ms. Wan Choi Chun, Dorothy, age 30, 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.

Ms. Tang Ka Mei, Mary, age 40, is the General Merchandising Manager of the Group. She holds a higher diploma in fashion and clothing technology from the Hong Kong Polytechnic University. Prior to joining the Group in 1997, she had over fourteen years' experience in the garment industry and has worked for a multinational garment group for over seven years.

Mr. Kwok Chak Man, Bernard, age 34, 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 35, 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.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT (continued)

Ms. Li Yuk Fong, Kerly, age 43, is the Operation Control Manager of the Group. She holds an international diploma in computer studies from NCC The National Centre for Information Technology, 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 42, is the shipping manager of the Group. Prior to joining the Group in 1990, she has worked in the shipping field for over twelve years.

DIRECTORS' INTERESTS IN CONTRACTS

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

On 23rd September, 1997, a share option scheme was approved by the shareholders of the Company under which its directors may, at their discretion, invite executive directors and employees of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the year, share options exercised by the Company's directors were as follows:

Director	Date of grant	Subscription price per share option	Outstanding number of share options as at 31st March, 2000	Number of share options exercised during the year	Outstanding number of share options as at 31st March, 2001
Wong Tek Sun, Takson	15th April, 1998	HK\$0.30	9,000,000	9,000,000	–
Pang Shu Yuk, Adeline Rita	15th April, 1998	HK\$0.30	9,000,000	9,000,000	–
Lian Cheng Chi	15th April, 1998	HK\$0.30	1,000,000	1,000,000	–
Cheung Man Ki	15th April, 1998	HK\$0.30	2,400,000	2,400,000	–
			<u>21,400,000</u>	<u>21,400,000</u>	<u>–</u>

The options are exercisable from 15th October, 1998 up to 14th October, 2000.

Apart from the aforesaid, 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, 2001, 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				Total interests
	Personal interests	Family interests	Corporate interests	Other interests	
Wong Tek Sun, Takson	10,018,000	9,000,000	237,600,000 (Note 1)	–	256,618,000
Pang Shu Yuk, Adeline Rita	9,000,000	237,600,000 (Note 1)	–	–	246,600,000
Lian Cheng Chi	9,000,000	10,018,000	–	–	10,018,000
		–	–	–	9,000,000

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 are 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, by virtue of her husband's interest in the share capital of the Company and her and her children's interests in the share capital of the Company as, inter alia, discretionary beneficiaries of the Family Trust, is deemed to be interested in the 237,600,000 shares in the Company under the SDI Ordinance.

Save as disclosed above, as at 31st March, 2001, 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, 2001, 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 1)	237,600,000
Takson International Holdings Limited (Note 1)	237,600,000
China Sci-Tech Holdings Limited (Note 2)	71,848,000
Vigor Online Offshore Limited (Note 2)	71,848,000
China Online (Bermuda) Limited (Note 2)	71,848,000
Besford International Limited (Note 2)	71,848,000
Taskwell Limited (Note 2)	71,848,000

Notes:

1. Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.
2. Taskwell Limited is a wholly-owned subsidiary of Besford International Limited, which is a company wholly-owned by China Online (Bermuda) Limited. China Sci-Tech Holdings Limited through two of its wholly owned subsidiaries, one of which being Vigor Online Offshore Limited, held more than one-third of the shares in China Online (Bermuda) Limited. Therefore, all of these shares are entirely duplicated.

Save as disclosed herein, as at 31st March, 2001, 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 group audit. 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.

REPORT OF THE DIRECTORS

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.

PRACTICE NOTE 19 OF THE LISTING RULES

As at 31st March, 2001, the Group had provided advances in an aggregate sum of HK\$1,179,000 to a jointly controlled entity. The financial assistance given to the jointly controlled entity during the year or as at 31st March, 2001, in aggregate, represented less than 25% of the consolidated net assets of the Group at the balance sheet date. Accordingly, no separate disclosure in accordance with the requirements under Practice Note 19 of the Listing Rules is provided.

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, 2001, 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.

MAINTENANCE OF PUBLIC FLOAT

The public float of the Company has remained below 25% of the shares in issue since the first announcement dated 10th June, 2000. As at 24th July, 2001, 14.78% of the shares of the Company are held by the public. The controlling shareholder of the Company, Takson International Holdings Limited, is holding 60.00% of the total issued shares of the Company. Another substantial shareholder, China Online (Bermuda) Limited which is holding 18.14% of the total issued shares of the Company is independent of the Company, the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries or an associate of any of them and is not a director, of the Company or any of its subsidiaries or an associate of any of them. The remaining 7.08% of the total issued shares of the Company is held by the directors of the Company. Rule 8.08 of the Listing Rules provides that The Stock Exchange of Hong Kong Limited ("the Stock Exchange") may suspend the trading of shares of the Company if the public float of the shares of the Company falls below the prescribed minimum percentage.

MAINTENANCE OF PUBLIC FLOAT (CONTINUED)

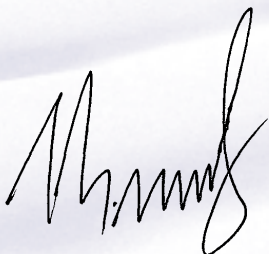
The directors of the Company and its single largest controlling shareholder are taking steps to restore the prescribed public float of the Company. In order to restore the prescribed public float, the Company is still continuing with its negotiations with the two state-owned enterprises in the PRC in respect of possible joint ventures with them which may involve the issue of shares by the Company as acquisition consideration. The parties are still in the negotiation process and no concrete terms have been agreed. It is anticipated that more time is needed for negotiation before the parties enter into any agreement. In addition, the Company had approached a few placing agents and they are of the view that a top-up placing is the most efficient and practicable way to place out shares of the Company in the present market conditions.

The Stock Exchange has granted to the Company an extension of time until 31st July, 2001 to comply with Rule 8.08 of the Listing Rules. The Stock Exchange indicated that based on the present circumstances, no further extension will be granted after 31st July, 2001. The trading of the shares of the Company may have the possibility of being suspended and possibly delisted by the Stock Exchange after the end of July, 2001 in the event that no actual action is taken to restore the public float of the Company on or before then.

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, 24th July, 2001

AUDITORS' REPORT

PRICEWATERHOUSECOOPERS 

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 44 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 the Group as at 31st March, 2001 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, 24th July, 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2001

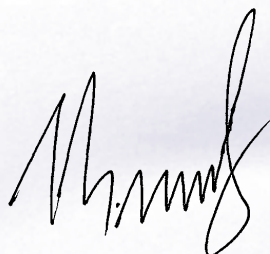
	Notes	2001 HK\$'000	2000 HK\$'000
Turnover	2	514,357	480,713
Cost of sales		<u>(439,178)</u>	<u>(352,322)</u>
Gross profit		75,179	128,391
Other revenues	2	4,246	4,221
Distribution costs		(15,157)	(17,521)
Administrative expenses		(47,996)	(46,125)
Impairment loss on leasehold land and buildings	13	(35,620)	–
Provisions for			
– loss on down materials		(16,588)	–
– loss on textile quota		<u>(18,756)</u>	<u>–</u>
Operating (loss)/profit	3	(54,692)	68,966
Finance costs	5	(13,561)	(8,061)
Share of loss of a jointly controlled entity		<u>(1,321)</u>	<u>(195)</u>
(Loss)/profit before taxation		(69,574)	60,710
Taxation	6(a)	<u>(262)</u>	<u>(10,285)</u>
(Loss)/profit attributable to shareholders	7	<u><u>(69,836)</u></u>	<u><u>50,425</u></u>
Basic (loss)/earnings per share	9	<u><u>(18.2 cents)</u></u>	<u><u>13.9 cents</u></u>
Diluted (loss)/earnings per share	9	<u><u>N/A</u></u>	<u><u>13.0 cents</u></u>

CONSOLIDATED BALANCE SHEET

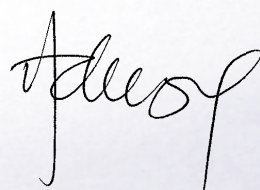
As at 31st March, 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Intangible assets	12	990	1,158
Fixed assets	13	35,170	72,217
Investment in a jointly controlled entity	15	14,004	15,076
Current assets			
Inventories	16	19,118	74,146
Trade receivables	17	9,465	21,172
Other receivables, textile quota deposits and prepayments		63,998	41,542
Tax recoverable		649	–
Pledged time deposits	23	24,650	27,737
Cash and bank balances		18,239	59,939
		<u>136,119</u>	<u>224,536</u>
Current liabilities			
Trade payables	18	2,089	6,574
Bills payable and accrued charges		9,416	9,370
Trust receipt and export packing loans	23	30,690	40,703
Current portion of long-term liabilities	21	16,432	417
Short-term bank loan – secured	21(b)	–	35,000
Taxation payable		518	6,788
Proposed dividends		–	41,206
Bank overdrafts – secured	23	3,909	4,762
		<u>63,054</u>	<u>144,820</u>
Net current assets		<u>73,065</u>	<u>79,716</u>
Total assets less current liabilities		<u>123,229</u>	<u>168,167</u>
<i>Financed by:</i>			
Share capital	19	39,600	37,460
Reserves	20	63,933	129,440
Shareholders' funds		103,533	166,900
Long-term liabilities	21	19,696	1,267
		<u>123,229</u>	<u>168,167</u>

On behalf of the Board



Wong Tek Sun, Takson
Director



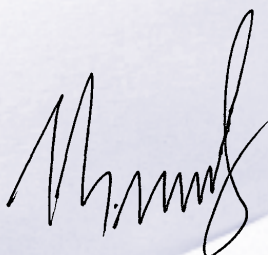
Pang Shu Yuk, Adeline Rita
Director

BALANCE SHEET

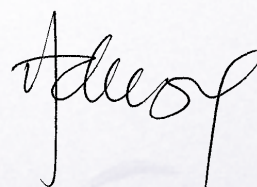
As at 31st March, 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Investments in subsidiaries	14	127,029	189,370
Current assets			
Other receivables		573	294
Tax recoverable		3	–
Cash and bank balances		19	4,399
		<u>595</u>	<u>4,693</u>
Current liabilities			
Other payables		595	601
Taxation payable		–	4
Proposed dividends		–	41,206
		<u>595</u>	<u>41,811</u>
Net current liabilities		<u>–</u>	<u>(37,118)</u>
Total assets less current liabilities		<u>127,029</u>	<u>152,252</u>
<i>Financed by:</i>			
Share capital	19	39,600	37,460
Reserves	20	87,429	114,792
Shareholders' funds		<u>127,029</u>	<u>152,252</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, 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Net cash inflow from operating activities	22(a)	20,487	39,156
Returns on investments and servicing of finance			
Interest received		3,480	3,393
Interest paid		(13,460)	(7,933)
Interest element of finance leases		(101)	(128)
Dividends received		–	25
Dividends paid		(41,206)	(21,603)
Net cash outflow from returns on investments and servicing of finance		(51,287)	(26,246)
Taxation			
Hong Kong profits tax paid		(6,771)	(4,813)
Overseas tax paid		(596)	(86)
Total tax paid		(7,367)	(4,899)
Investing activities			
Additions to trademarks		–	(13)
Purchases of fixed assets		(1,529)	(1,173)
Capital injection to a jointly controlled entity		–	(14,288)
Advance to a jointly controlled entity		(207)	(972)
Proceeds from sales of other investments		–	3,537
Proceeds from disposal of fixed assets		24	195
Net cash outflow from investing activities		(1,712)	(12,714)
Net cash outflow before financing		(39,879)	(4,703)
Financing	22(b)		
Proceeds from exercise of share options		6,420	4,380
Net bank loans drawn		2,234	30,620
Payment of capital element of finance leases		(462)	(840)
Net cash inflow from financing		8,192	34,160
Net change in pledged time deposit		3,087	(5,174)
(Decrease)/increase in cash and cash equivalents		(28,600)	24,283
Cash and cash equivalents at 1st April		36,847	12,564
Cash and cash equivalents at 31st March	22(c)	8,247	36,847

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st March, 2001

		2001	2000
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Exchange gains arising on translation of accounts of overseas subsidiaries and a jointly controlled entity not recognised in the consolidated profit and loss account	20	49	32
Exchange reserve realised in the consolidated profit and loss account upon liquidation of a subsidiary	20	–	(112)
(Loss)/profit attributable to shareholders	20	(69,836)	50,425
Total recognised (losses)/gains		<u>(69,787)</u>	<u>50,345</u>

NOTES TO THE ACCOUNTS

31st March, 2001

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 under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Basis of 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.

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 which was not previously charged or recognised in the consolidated profit and loss account.

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

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, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Jointly controlled entity (continued)

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. 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) Leasehold land and buildings

Leasehold land and buildings are stated at cost less accumulated amortisation or depreciation and any provision required to reflect recoverable amount. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

(ii) 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%.

(iii) 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 the shorter. The principal annual rate used for this purpose is 2%.

(iv) Leasehold improvements and other tangible fixed assets

Leasehold improvements and other tangible fixed assets are stated at cost less accumulated depreciation. 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%

NOTES TO THE ACCOUNTS

31st March, 2001

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Fixed assets (continued)

(v) Gain or loss on disposal of fixed assets

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

(vi) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Expected future cash flows have not been discounted in determining the recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value of disposal. The amount of the reduction to recoverable amount is charged to the profit and loss account.

A subsequent increase in the recoverable amount of an asset carried at depreciated cost is written back to the profit and loss account when the circumstances and events that led to the write-down or write-off cease to exist. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

(vii) Cost of restoring and improving fixed assets

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

(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 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 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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Assets under leases (continued)

(ii) Operating leases

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

(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 first-in, first-out basis, comprises direct materials, shipment costs and subcontracting expenses. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

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

(i) 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 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 of a foreign subsidiary, the related cumulative exchange difference is included in the profit and loss account as part of the gain or loss on disposal.

NOTES TO THE ACCOUNTS

31st March, 2001

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Retirement benefit costs

The Group continues to operate an occupational retirement scheme registered under the Hong Kong Occupational Retirement Scheme Ordinance. This scheme has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance ("the MPF 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.

In December 2000, a mandatory provident fund scheme ("the MPF Scheme") was also established under the MPF Ordinance. All staff were offered the choice of switching to the MPF Scheme or staying in the existing occupational retirement scheme. Where staff elected to join the MPF Scheme, both the Group and staff are required to contribute 5% (subject to an aggregate maximum of HK\$2,000 per month) of the employees' relevant income. Contributions from the employer are 100% vested in the employees as soon as they are paid to the MPF Scheme.

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

(l) 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.

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.

Dividend income is recognised when the right to receive payment is established.

(m) Borrowing costs

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

2. TURNOVER AND REVENUE

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments, developing software and providing technical support services for website development. Revenues recognised during the year are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Sales of garments	<u>514,357</u>	<u>480,713</u>
Other revenues		
Income from sample sales	766	803
Interest income	3,480	3,393
Dividend income from listed investments	–	25
	<u>4,246</u>	<u>4,221</u>
Total revenues	<u>518,603</u>	<u>484,934</u>

An analysis of the Group's turnover and contribution to operating (loss)/profit by principal activity and market is as follows:

	Turnover		Contribution to operating (loss)/profit	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Principal activities				
Sourcing, subcontracting, marketing and selling of outerwear garments	514,357	480,713	(52,473)	73,232
E-business	–	–	(2,219)	(4,266)
	<u>514,357</u>	<u>480,713</u>	<u>(54,692)</u>	<u>68,966</u>
Principal markets				
United States of America	473,395	401,895	(50,452)	57,294
Europe	27,404	42,051	(2,224)	6,654
Canada	8,477	22,178	(797)	2,716
Japan	19	8,242	(1)	1,369
Hong Kong	3,841	5,931	(1,098)	865
Others	1,221	416	(120)	68
	<u>514,357</u>	<u>480,713</u>	<u>(54,692)</u>	<u>68,966</u>

NOTES TO THE ACCOUNTS

31st March, 2001

3. OPERATING (LOSS)/PROFIT

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

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Net exchange gains	–	76
Net realised gain on disposal of other investments	–	1,902
Reversal of write-down of inventories	<u>879</u>	<u>–</u>
Charging		
Amortisation of trademarks	166	166
Auditors' remuneration	624	620
Depreciation		
Owned fixed assets	2,771	2,853
Leased fixed assets	258	262
Net exchange losses	215	–
Net loss on disposal of fixed assets	–	233
Operating leases		
Land and buildings	1,093	234
Hire of machinery and equipment	125	37
Provision for slow-moving inventories	<u>–</u>	<u>1,410</u>

4. STAFF COSTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	21,458	21,940
Retirement benefit costs	<u>319</u>	<u>512</u>
Total staff costs incurred	<u>21,777</u>	<u>22,452</u>

In prior year, basic salary, housing benefit and fee for directors of HK\$10,076,000 were included as staff costs. These directors' emoluments were excluded from the staff costs but included as part of directors' emoluments as stated in note 11 to conform to current year's presentation.

5. FINANCE COSTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	13,433	7,925
Interest element of finance leases		
wholly repayable within five years	101	128
Other incidental borrowing costs	27	8
Total borrowing costs incurred	<u>13,561</u>	<u>8,061</u>

6. TAXATION

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

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Current tax (<i>note 6(a)(i)</i>)	371	8,162
(Over)/under provision in previous years	(190)	1,982
Transfer from deferred taxation account (<i>note 6(b)</i>)	(186)	(342)
Overseas taxation		
Current tax (<i>note 6(a)(ii)</i>)	212	501
Under/(over) provision in previous years	55	(18)
	<u>262</u>	<u>10,285</u>

- (i) Hong Kong profits tax has been provided at the rate of 16% (2000: 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

31st March, 2001

6. TAXATION (CONTINUED)

(b) The amount of deferred taxation represents:

	Group			
	2001		2000	
	Full potential liabilities/ (assets) HK\$'000	Amount recognised HK\$'000	Full potential liabilities/ (assets) HK\$'000	Amount recognised HK\$'000
Accelerated depreciation allowances	997	226	393	412
Tax losses	(6,082)	–	(221)	–
	<u>(5,085)</u>	<u>226</u>	<u>172</u>	<u>412</u>

A potential deferred tax asset, which represents mainly timing difference arising from tax losses for the current year, 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, 2001, the potential deferred tax asset amounted to approximately HK\$6,082,000 (2000: HK\$221,000).

Movements in the provision for deferred taxation are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
At 1st April	412	754
Transfer to profit and loss account (note 6(a))	(186)	(342)
At 31st March	<u>226</u>	<u>412</u>

7. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$31,643,000 (2000: profit of HK\$47,224,000).

8. DIVIDENDS

	Company	
	2001 HK\$'000	2000 HK\$'000
Interim, paid, of nil cent (2000: 1.0 cent) per ordinary share	–	3,603
Final, proposed, of nil cent (2000: 11.0 cents) per ordinary share	–	41,206
	<u>–</u>	<u>44,809</u>

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$69,836,000 (2000: profit of HK\$50,425,000).

The basic (loss)/earnings per share is based on the weighted average number of 384,743,014 (2000: 363,529,372) ordinary shares in issue during the year. Diluted loss per share for the year ended 31st March, 2001 is not shown as there is no dilution arising from the outstanding share options in issue during the year ended 31st March, 2001. The diluted earnings per share for the year ended 31st March, 2000 is based on 363,529,372 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 23,988,032 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

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\$744,000 (2000: HK\$701,000) less forfeited contributions utilised of HK\$391,000 (2000: HK\$189,000). No contributions were payable to the scheme at the year end. As at 31st March, 2001, there is unutilised forfeited contributions of HK\$154,000 (2000: HK\$14,000).

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:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	360	360
Other emoluments		
Share options exercised	9,844	15,105
Basic salaries and housing benefits	9,761	9,716
Contributions to defined contributions scheme	34	–
	<u>19,999</u>	<u>25,181</u>

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

On 15th April, 1998, the Company granted options to four of its directors under its share option scheme approved by its shareholders on 23rd September, 1997 to acquire a total of 35,650,000 ordinary shares of par value of HK\$0.10 per share at an exercise price of HK\$0.30 per share.

NOTES TO THE ACCOUNTS

31st March, 2001

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' remuneration (continued)

During the year, all these directors exercised their outstanding options to subscribe for a total of 21,400,000 ordinary shares in the Company at an exercise price of HK\$0.30 per share. The closing market price of the Company's shares at the exercise date was HK\$0.76.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$7,500,001 – HK\$8,000,000	1	1
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$9,000,001 – HK\$9,500,000	–	1
	6	6

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2000: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2000: one) individual during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Basic salaries	576	621
Bonuses	110	–
Pensions	27	–
Compensation for loss of office		
Contractual payments	–	738
Others	–	246
	713	1,605

12. INTANGIBLE ASSETS

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trademarks		
Cost		
At 1st April	2,499	2,481
Additions	–	13
Exchange difference	(4)	5
At 31st March	<u>2,495</u>	<u>2,499</u>
Accumulated amortisation		
At 1st April	1,341	1,171
Amortisation for the year	166	166
Exchange difference	(2)	4
At 31st March	<u>1,505</u>	<u>1,341</u>
Net book value at 31st March	<u><u>990</u></u>	<u><u>1,158</u></u>

NOTES TO THE ACCOUNTS

31st March, 2001

13. FIXED ASSETS

	Group						Total 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							
At 1st April, 2000	68,500	2,589	4,129	321	3,389	9,111	88,039
Additions	–	251	521	–	–	849	1,621
Disposals	–	–	–	–	–	(46)	(46)
At 31st March, 2001	<u>68,500</u>	<u>2,840</u>	<u>4,650</u>	<u>321</u>	<u>3,389</u>	<u>9,914</u>	<u>89,614</u>
Accumulated depreciation							
At 1st April, 2000	4,110	1,277	2,856	173	1,429	5,977	15,822
Charge for the year	1,370	204	211	22	294	928	3,029
Disposals	–	–	–	–	–	(27)	(27)
	<u>5,480</u>	<u>1,481</u>	<u>3,067</u>	<u>195</u>	<u>1,723</u>	<u>6,878</u>	<u>18,824</u>
Impairment loss	35,620	–	–	–	–	–	35,620
At 31st March, 2001	<u>41,100</u>	<u>1,481</u>	<u>3,067</u>	<u>195</u>	<u>1,723</u>	<u>6,878</u>	<u>54,444</u>
Net book value							
At 31st March, 2001	<u><u>27,400</u></u>	<u><u>1,359</u></u>	<u><u>1,583</u></u>	<u><u>126</u></u>	<u><u>1,666</u></u>	<u><u>3,036</u></u>	<u><u>35,170</u></u>
At 31st March, 2000	<u><u>64,390</u></u>	<u><u>1,312</u></u>	<u><u>1,273</u></u>	<u><u>148</u></u>	<u><u>1,960</u></u>	<u><u>3,134</u></u>	<u><u>72,217</u></u>

- (a) As at 31st March, 2001 and 2000, all of the leasehold land and buildings are situated in Hong Kong, held on leases of between 10 to 50 years, and for the Group's own use.
- (b) As at 31st March, 2001 and 2000, the leasehold land and buildings were charged to a bank to secure banking facilities granted to the Group (*note 23*).
- (c) As at 31st March, 2001, the net book value of fixed assets held by the Group under finance lease amounted to HK\$1,461,000 (2000: HK\$1,626,000).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	68,725	68,725
Amount due from a subsidiary (note 14(b))	89,955	120,645
	<u>158,680</u>	<u>189,370</u>
Less: provision for diminution in value	(31,651)	–
	<u><u>127,029</u></u>	<u><u>189,370</u></u>

- (a) Particulars of the Company's subsidiaries are set out in note 27 to the accounts.
- (b) The amount due from a subsidiary is unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.
- (c) The Group is required to contribute HK\$1,170,000 (equivalent to US\$150,000) as registered capital for a newly incorporated subsidiary, Beijing Takson On-Line Technology Company Limited, before 6th September, 2001 (note 25(a)). On 4th June, 2001, HK\$234,000 (equivalent to US\$30,000) was injected by the Group to that subsidiary.

15. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	12,825	14,104
Advance to a jointly controlled entity (note 15(b))	1,179	972
	<u>14,004</u>	<u>15,076</u>

As at 31st March, 2001, the Group had interest in the following jointly controlled entity:

Name	Place of establishment	Principal activities and place of operation	Particulars of registered capital	Attributable equity interest
Cyber Culture Company Limited	People's Republic of China ("PRC")	Inactive (note 15(a))	Registered capital RMB30,000,000 (paid up capital of RMB15,000,000) (note 15(a))	50% (note 15(a))

NOTES TO THE ACCOUNTS

31st March, 2001

15. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

- (a) Cyber Culture Company Limited ("Cyber Culture") is a 50:50 Sino-foreign equity joint venture enterprise. Each joint venture partner would be responsible for a capital contribution of RMB15,000,000 (HK\$14,150,000). The Group has contributed RMB15,000,000 (HK\$14,150,000) while the PRC joint venture partner has not made any capital contribution.

On 2nd January 2001, the Group and the PRC joint venture partner entered into an agreement for the dissolution of Cyber Culture. Pursuant to the dissolution agreement, the Group would be entitled to all the remaining net assets of Cyber Culture, after deducting the related dissolution expenses, upon the completion of the liquidation. The PRC joint venture partner is no longer required to contribute the unpaid registered capital nor reimburse the losses incurred by Cyber Culture. Hence, all accumulated and current year losses incurred by Cyber Culture have been wholly taken up by the Group.

The directors are of the view that the assets realised upon the completion of liquidation of Cyber Culture would not be materially different from the Group's carrying cost of interest in Cyber Culture as stated above.

- (b) Advance to a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

16. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	15,221	62,183
Work in progress	2,329	10,659
Finished goods	1,568	1,304
	<u>19,118</u>	<u>74,146</u>

As at 31st March, 2001, the inventories are stated at cost less provision of HK\$19,718,000 (2000: HK\$4,009,000).

17. TRADE RECEIVABLES

(a) At 31st March, 2001, the ageing analysis of the trade receivables was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	7,588	1,395
1 to 3 months	1,503	15,247
4 to 6 months	63	3,389
7 to 9 months	145	1
10 to 12 months	3	18
Over 1 year	229	1,188
	<u>9,531</u>	<u>21,238</u>
Less: Provision for doubtful debts	(66)	(66)
	<u>9,465</u>	<u>21,172</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, 2001, trade receivables included amounts totalling HK\$6,662,000 (2000: HK\$Nil) which were factored to a bank in the ordinary course of business and the recourse element of the proceeds is included as trust receipt and export packing loans under current liabilities.

18. TRADE PAYABLES

At 31st March, 2001, the ageing analysis of trade payables was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	239	3,672
1 to 3 months	530	1,186
4 to 6 months	422	725
7 to 9 months	245	172
Over 1 year	653	819
	<u>2,089</u>	<u>6,574</u>

NOTES TO THE ACCOUNTS

31st March, 2001

19. SHARE CAPITAL

	Company Ordinary share of HK\$0.1 each			
	2001		2000	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
At 31st March 1999, 31st March, 2000 and 31st March, 2001	<u>1,000,000,000</u>	<u>100,000</u>	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1st April	374,600,000	37,460	360,000,000	36,000
Issue of shares upon exercise of share options (note 19(a))	<u>21,400,000</u>	<u>2,140</u>	<u>14,600,000</u>	<u>1,460</u>
At 31st March	<u>396,000,000</u>	<u>39,600</u>	<u>374,600,000</u>	<u>37,460</u>

- (a) On 23rd September, 1997, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, invite employees and directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. On 15th April, 1998, options were granted to certain directors and employees to acquire a total of 36,000,000 ordinary shares at an exercise price of HK\$0.30 each. The options are exercisable from 15th October, 1998 up to 14th October, 2000.

During the year, a total of 21,400,000 (2000: 14,600,000) shares were issued at HK\$0.30 per share upon the exercise of share options granted by the Company to the directors pursuant to the share option scheme of the Company.

The details of the share options exercised during the year are as follows:

	Number of share options	
	2001	2000
Outstanding at 1st April	21,400,000	36,000,000
Exercised during the year	<u>(21,400,000)</u>	<u>(14,600,000)</u>
Outstanding at 31st March	<u>–</u>	<u>21,400,000</u>

20. RESERVES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share premium				
At 1st April	41,742	38,822	41,742	38,822
Premium on exercise of share options	4,280	2,920	4,280	2,920
At 31st March	46,022	41,742	46,022	41,742
Contributed surplus (note 20(a))				
At 1st April and 31st March	–	–	67,992	67,992
Exchange fluctuation reserve				
At 1st April	46	126	–	–
Exchange gains arising on translation of accounts of overseas subsidiaries and a jointly controlled entity	49	32	–	–
Exchange reserve realised in the profit and loss account upon liquidation of a subsidiary	–	(112)	–	–
At 31st March	95	46	–	–
Reserve on consolidation				
At 1st April and 31st March	3,214	3,214	–	–
Retained profits/(accumulated loss)				
At 1st April	84,438	78,822	5,058	2,643
(Loss)/profit attributable to shareholders	(69,836)	50,425	(31,643)	47,224
Dividends (note 8)	–	(44,809)	–	(44,809)
At 31st March	14,602	84,438	(26,585)	5,058
Total reserves	63,933	129,440	87,429	114,792

NOTES TO THE ACCOUNTS

31st March, 2001

20. RESERVES (CONTINUED)

- (a) The contributed surplus at 31st March, 2001, and 31st March, 2000 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), a company may declare or pay dividends, or make distributions out of contributed surplus, 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) Included in the Group's retained profits was accumulated losses of HK\$1,516,000 (2000: HK\$195,000) attributable to a jointly controlled entity.

21. LONG-TERM LIABILITIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank loans – secured (<i>note 21(a) and (b)</i>)	35,000	–
Obligations under finance leases wholly repayable within five years (<i>note 21(a)</i>)	902	1,272
Deferred taxation (<i>note 6(b)</i>)	226	412
	<u>36,128</u>	<u>1,684</u>
Less : Current portion of long-term liabilities	(16,432)	(417)
	<u>19,696</u>	<u>1,267</u>

- (a) At 31st March, 2001 and 2000, the Group's bank loans and obligations under finance leases are repayable as follows:

	Group			
	Secured bank loans		Obligations under finance leases	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	16,042	–	390	417
In the second year	17,500	–	390	417
In the third to fifth year inclusive	1,458	–	122	438
	<u>35,000</u>	<u>–</u>	<u>902</u>	<u>1,272</u>

21. LONG-TERM LIABILITIES (CONTINUED)

- (b) In March 2001, the creditor bank agreed to convert the short-term bank loan of HK\$35,000,000 into an instalment loan, repayable by 24 monthly instalments commencing on 2nd May, 2001. The instalment loan is secured by the leasehold land and buildings of the Group (note 23). In the consolidated balance sheet, the short-term bank loan has accordingly been reclassified according to the repayment terms of the instalment loan.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(69,574)	60,710
Amortisation of trademarks	166	166
Depreciation of owned fixed assets	2,771	2,853
Depreciation of fixed assets held under finance leases	258	262
Net (gain)/loss on disposal of fixed assets	(5)	233
Net realised gain on disposal of other investments	–	(1,902)
Impairment loss on leasehold land and buildings	35,620	–
Provisions for		
– loss on down materials	16,588	–
– loss on textile quota	18,756	–
Dividend income	–	(25)
Interest income	(3,480)	(3,393)
Interest on bank loans, overdrafts and other incidental borrowing costs	13,460	7,933
Interest element of finance leases	101	128
Share of loss of a jointly controlled entity	1,321	195
Decrease/(increase) in inventories	38,440	(7,541)
Increase in trade and other receivables, textile quota deposits and prepayments	(29,505)	(17,865)
Decrease in trade payables, bills payable and accrued charges	(4,439)	(2,506)
Effect of foreign exchange rate changes	9	(92)
Net cash inflow from operating activities	<u>20,487</u>	<u>39,156</u>

NOTES TO THE ACCOUNTS

31st March, 2001

22. 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	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at 1st April	79,202	74,822	57,373	26,753	1,272	612
Inception of finance leases	-	-	-	-	92	1,500
Exercise of share options	6,420	4,380	-	-	-	-
Cash inflow/(outflow) from financing	-	-	2,234	30,620	(462)	(840)
Balance at 31st March	<u>85,622</u>	<u>79,202</u>	<u>59,607</u>	<u>57,373</u>	<u>902</u>	<u>1,272</u>

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	18,239	59,939
Bank overdrafts – secured	(3,909)	(4,762)
Trust receipt and export packing loans	(30,690)	(40,703)
Bank loans – secured	(35,000)	(35,000)
Less: Trust receipt, export packing and other bank loans repayable more than three months from the date of advance	59,607	57,373
	<u>8,247</u>	<u>36,847</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\$92,000 (2000: HK\$1,500,000).

23. BANKING FACILITIES

As at 31st March, 2001, the Group's banking facilities amounting to HK\$324,110,000 (2000: HK\$315,875,000) were secured by the following:

- (a) charges on bank deposits of the Group amounting to HK\$24,650,000 (2000: HK\$27,737,000);
- (b) first legal charge over properties held by a subsidiary with an aggregate carrying value of HK\$27,400,000 (2000: HK\$64,390,000) (*note 13*); and
- (c) corporate guarantees from the Company and certain subsidiaries of the Group.

24. CONTINGENT LIABILITIES

- (a) The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2001 amounted to HK\$69,006,000 (2000: HK\$79,964,000).
- (b) As at 31st March, 2001, the Group had no bills of exchange discounted with banks (2000: HK\$4,095,000).

25. COMMITMENTS

(a) Capital commitments

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for in respect of		
– fixed assets	1,099	–
– capital injection to a subsidiary (<i>note 14(c)</i>)	1,170	–
– capital injection to a jointly controlled entity (<i>note 15</i>)	–	56,659
	<u>2,269</u>	<u>56,659</u>

(b) Commitments under operating leases

As at 31st March, 2001, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group			
	2001		2000	
	Land and buildings	Others	Land and buildings	Others
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>1,895</u>	<u>14</u>	<u>753</u>	<u>14</u>

NOTES TO THE ACCOUNTS

31st March, 2001

26. ULTIMATE HOLDING COMPANY

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

27. PARTICULARS OF SUBSIDIARIES

The following is a list of the subsidiaries of the Company at 31st March, 2001:

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				
B2B Garment Limited*	British Virgin Islands	Inactive	1 ordinary share of US\$1	100%
Reunification Holdings Limited	British Virgin Islands	Inactive	1 ordinary share of US\$1	100%
Takson (B.V.I.) Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US\$1 each	100%
Takson On-Line Limited*	British Virgin Islands	Investment holding and provision of technical support for website development	1 ordinary share of US\$1	100%
Takson Technology Limited*	British Virgin Islands	Investment holding	1,000 ordinary shares of US\$1 each	100%
Interest held indirectly				
Beijing Takson On-Line Technology Company Limited*	PRC	Software development	Registered capital US\$150,000 (Paid up capital of US\$ Nil (note 14(c)))	100%
Cyber Max Technology Limited	Hong Kong	Provision of consultancy service to a group company	2 ordinary shares of HK\$1 each	100%

27. PARTICULARS OF 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
Fan Shing Trading Company Limited	Hong Kong	Trading of outerwear garments supplied by a group company	500 ordinary shares of HK\$1,000 each	100%
Powderhorn Establishment Limited*	Liechtenstein	Holding of trademarks	Swiss Franc 30,000	100%
Takson Down Manufacturing Company Limited	Hong Kong	Inactive	100 ordinary shares of HK\$10,000 each	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	British Virgin Islands	Contracting agency in the PRC	10 ordinary shares of US\$1 each	100%
Takson Properties Limited	British Virgin Islands	Property holding in Hong Kong	1 ordinary share of US\$1	100%

* Subsidiaries not audited by PricewaterhouseCoopers. The financial impact of subsidiaries not audited by PricewaterhouseCoopers was not material to the Group.

28. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 24th July, 2001.

COMPARATIVE TABLE OF RESULTS, ASSETS AND LIABILITIES

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
Turnover	<u>514,357</u>	<u>480,713</u>	<u>357,221</u>	<u>378,767</u>	<u>385,903</u>
(Loss)/profit before taxation	(69,574)	60,710	51,734	57,911	32,133
Taxation	(262)	(10,285)	(3,855)	(6,182)	(2,682)
(Loss)/profit attributable to shareholders	<u>(69,836)</u>	<u>50,425</u>	<u>47,879</u>	<u>51,729</u>	<u>29,451</u>
Total assets	186,283	312,987	249,411	265,629	174,061
Current liabilities	(63,054)	(144,820)	(91,318)	(108,388)	(132,233)
Total assets less current liabilities	<u>123,229</u>	<u>168,167</u>	<u>158,093</u>	<u>157,241</u>	<u>41,828</u>
Share capital	39,600	37,460	36,000	36,000	8
Reserves	49,331	45,002	42,162	42,162	3,537
Retained profits	14,602	84,438	78,822	77,743	36,814
Shareholders' funds	103,533	166,900	156,984	155,905	40,359
Long-term liabilities	19,696	1,267	1,109	1,336	1,469
	<u>123,229</u>	<u>168,167</u>	<u>158,093</u>	<u>157,241</u>	<u>41,828</u>

The results, assets and liabilities for the two years ended 31st March, 1998 and 1997 were prepared on a combined basis as if the current group structure had been in existence throughout the accounting period presented or since the dates of incorporation or acquisition of the respective subsidiaries, whichever is the shorter period.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Takson Holdings Limited (the “Company”) will be held at the Tang Room I, 3rd Floor, Sheraton Hotel, 20 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 29th August, 2001 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, 2001.
2. To re-elect the retiring director and to authorise the directors to fix her 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

NOTICE OF ANNUAL GENERAL MEETING

- (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

- 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, 24th July, 2001

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 2401, Prince's Building, 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, 2001.