

Contents

1	Corporate information
2	Financial highlights
3-5	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
21-42	Notes to the accounts
43	Comparative table of results, assets and liabilities
44-46	Notice of annual general meeting

CORPORATE INFORMATION

Directors

Executive Directors:

Wong Tek Sun, Takson
Pang Shu Yuk, Adeline Rita
Cheung Man Ki
Lian Cheng Chi

Independent Non-Executive Directors:

Tsao Kwang Yung, Peter
Lee Kwok Cheung

Secretary

Cheung Man Ki

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Office

5th Floor, South Wing
Harbour Centre, Tower One
1 Hok Cheung Street
Hungghom, 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.
Rabobank
Hua Chiao Commercial Bank Limited
Citic Ka Wah Bank Limited
Fortis Bank
Banco Bilbao Vizcaya Argentaria, S.A.
The Hong Kong and Shanghai Banking
Corporation Limited

Solicitors

Bermuda:

Conyers Dill & Pearman

Hong Kong:

Kwok & Yih

Share Registrars and Transfer Offices

Bermuda:

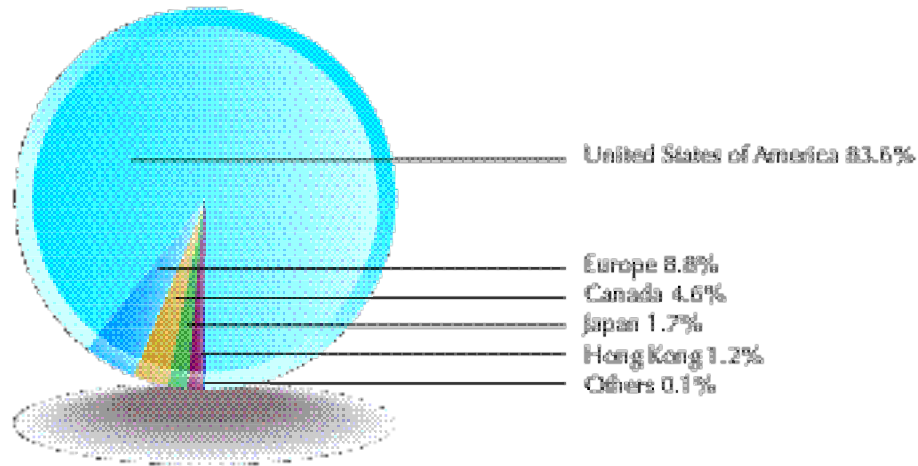
Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong:

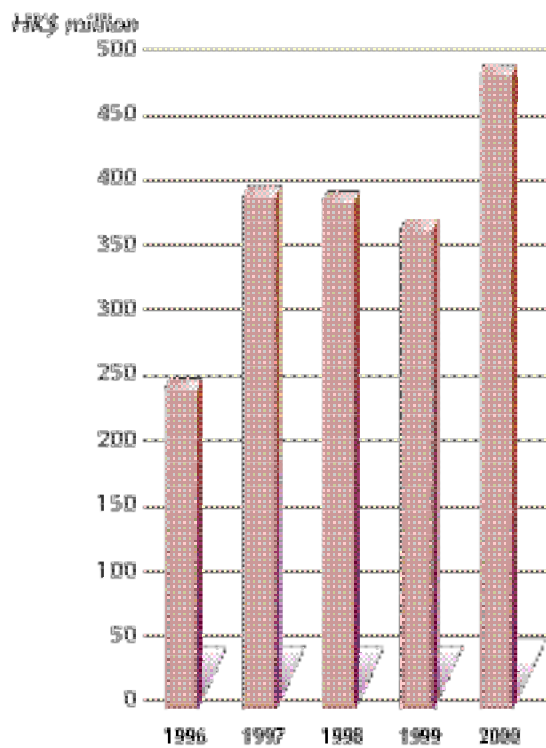
Abacus Share Registrars Limited
2401, Prince's Building
Central
Hong Kong



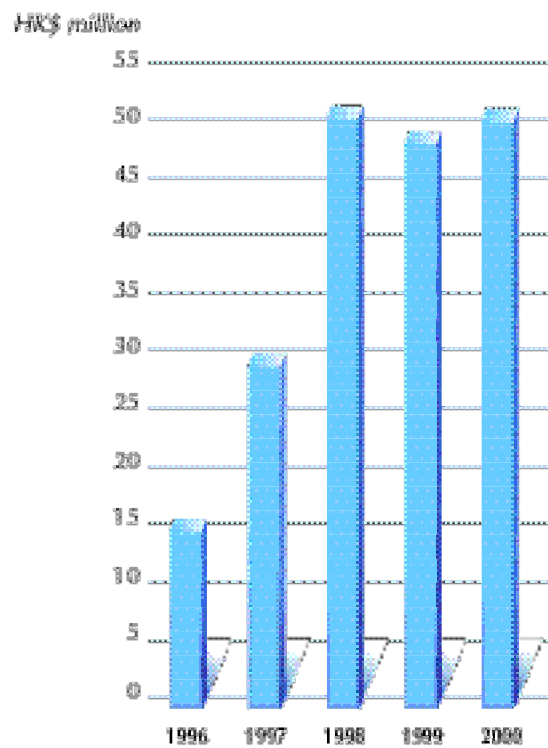
Turnover by Geographical Location in 2000



Turnover



Profit Attributable to Shareholders



CHAIRMAN'S STATEMENT

The Group's audited consolidated profit after taxation for the year ended 31st March, 2000 amounted to HK\$50 million, a 5% increase over last year, and translated into basic earnings per share of 13.9 cents.

DIVIDENDS

After careful consideration of the future working capital and development needs of the Group, the Board of Directors will recommend, at the forthcoming Annual General Meeting to be held on 15th September, 2000, the payment of a final dividend of 11.0 cents per share in respect of the year ended 31st March, 2000, to shareholders whose names appear on the Register of Members of the Company on 13th September, 2000. The proposed dividend will be paid on 20th September, 2000 following approval at the Annual General Meeting.

REVIEW OF OPERATIONS

The Board is pleased to report the Group's garment sourcing business has achieved an impressive growth for the year, complemented by substantial progress made in its new ventures into technology-related and e-trade businesses.

Core business

In the year under review, garment sourcing segment successfully reached its earlier target of 3.8 million pieces and recorded surges in attributable turnover and profit before tax of HK\$481 million and HK\$65 million, representing 35% and 26% annual increase, respectively. This was a direct result of marketing and cost control efforts the Group's management team painstakingly put in to enhance its shareholders' value.

While US customers continued to be the dominant contributor to the Group's bottom-line, their increased presence in the European market established through their expanded retail network helped lessen its reliance on the relatively homogeneous US market. This year, Europe alone represented 9% of the Group's total output, compared with a lower 4% last year.

Down-filled garments continued to be popular among customers, representing over 70% of the Group's total output value.



CHAIRMAN'S STATEMENT



Traditionally, the Group sells Spring season garments, which are of lower margin, in the second half of year. This portion was higher in the year, dampening the effect on the Group's full year results of a strong US economy.

In addition, the Group's low-season bulk-purchase policy and forward quota management strategy have once again helped produce consistently positive results.

The Group's US dollar denominated earning base from its core business will continue to offer shelter from any risks resulting from changes in parity of Hong Kong dollars with other foreign currencies.

Application of New Issue proceeds

At the beginning of the year, total net proceeds brought down from the Company's 1997 New Issue amounted to approximately HK\$60 million. Approximately HK\$25 million of the amount has subsequently been applied to working capital and approximately HK\$30 million originally set aside for investment opportunities related to core business has not yet been utilized. The HK\$5 million reserved for funding the development of the Group's garment and textile portal web-site is expected to be put into use in the next financial year.



PROSPECTS

Garment sourcing to remain as core business

The Board believes garment sourcing will continue to be the Group's core business in the foreseeable future. The Group is stepping up its efforts to increase its garment output and sales. Year 2000/2001 sales orders on hand up to the end of July, 2000 already exceeded last year annual turnover, totalling HK\$515 million with more Spring season orders expected to come in the coming months.

Upon China's accession to the World Trade Organisation, Chinese products will immediately be open to unprecedented opportunities. The Group being solely reliant on China for production facilities will benefit from the diminishing of Chinese garment export quota restrictions, especially on synthetics category. To ensure that such enormous opportunities are swiftly capitalised on, we have selected the city of Shanghai as our first step of expansion. Once it has become fully operational, this Shanghai office is expected to carry out sourcing function in conjunction with the head office but with a geographical advantage, being located at the heart of the vast production facilities of China.



CHAIRMAN'S STATEMENT



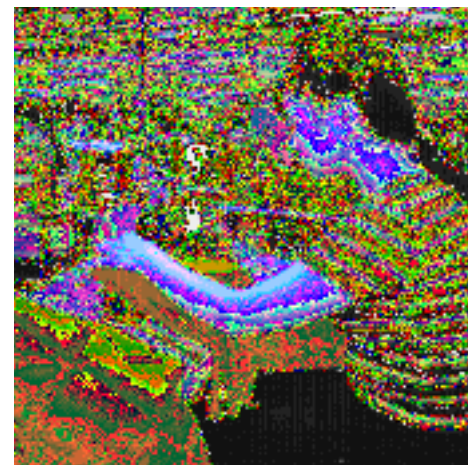
Technology-related joint venture

During the year, the National Library of China and the Group together through their respective wholly-owned subsidiaries formed a 50:50 sino-foreign equity joint venture enterprise in Beijing, China. The joint venture's principal activities are initially defined as the development and application of digitisation technology of books and documents and provision of related consultation services in China. However, the joint venture partner is currently in discussions with the Group and relevant government authorities in China with a view to finalising, in detail, the nature of businesses to be conducted by the joint venture given the prevailing

legislation in China. The Group will then inject into the joint venture the remaining capital contribution once business objectives and plans are formally endorsed by the relevant parties. The Board will make formal announcements on a timely basis to inform the Group's shareholders of its latest developments.


B2B textile and garment portal

The Group has decided to form a business-to-business portal web-site for garment and textile industry. This vertical portal aims to apply a tailor-made yet effective business model and the latest internet technology to the supply chains of garment and textile industry and transform them into a 24/7 virtual open marketplace where buyers, vendors, materials suppliers and factories can integrate once, and immediately transact business with one another. Community members are expected to be mostly Mainland processing factories and raw material suppliers at the initial stage and to cover foreign vendors and buyers at subsequent stages. The business plan will be rolled out in the last quarter of the year.



APPRECIATION

I would like to take this opportunity to thank my fellow directors and every single one of my staff for their dedicated hardwork and wholehearted devotion to the growth of the Company, not to mention our business partners and shareholders for their continued and undivided supports. I am confident that with the devotion, expertise and unreserved effort of these people, the Group will look forward to a most exciting, rewarding and prosperous 2000/2001.



Wong Tek Sun, Takson

Chairman

Hong Kong, 2nd August, 2000



REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March, 2000.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 13 to the accounts.

An analysis of the Group's turnover and contribution to profit before taxation by principal activities and markets is as follows:

	Turnover <i>HK\$'000</i>	Contribution to profit before taxation <i>HK\$'000</i>
Principal activities		
Sourcing, subcontracting, marketing and sale of outerwear garments	480,713	65,171
E-business	–	(4,461)
	<u>480,713</u>	<u>60,710</u>
	Turnover <i>HK\$'000</i>	Contribution to profit before taxation <i>HK\$'000</i>
Principal markets		
United States of America	401,895	50,435
Europe	42,051	5,858
Canada	22,178	2,391
Japan	8,242	1,205
Hong Kong	5,931	762
Others	416	59
	<u>480,713</u>	<u>60,710</u>

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

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

	2000	1999
	%	%
Purchases		
– the largest supplier	31	36
– five largest suppliers combined	61	68
Sales		
– the largest customer	35	33
– five largest customers combined	88	71

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) have any interest in the major suppliers or customers as summarised above.

ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the Chairman's Statement on pages 3 to 5.

RESULTS AND APPROPRIATIONS

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

The directors have declared an interim dividend of 1.0 cent per ordinary share, totalling HK\$3,603,500, which was paid on 9th December, 1999.

The directors recommend the payment of a final dividend of 11.0 cents per ordinary share totalling HK\$41,206,000 in respect of the year ended 31st March, 2000.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$10,500 (1999: HK\$4,000).

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 12 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 17 to the accounts.

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 43.

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.

INFORMATION ON SUBSIDIARIES

Details of the Company's subsidiaries as at 31st March, 2000 are set out in note 13 to the accounts.

ANALYSIS OF BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The particulars of the Group's bank loans, overdrafts and other borrowings as at 31st March, 2000 are set out in notes 22 and 20 to the accounts.

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\$39 million for the year ended 31st March, 2000.

The ratio of current assets to current liabilities was 1.6 at 31st March, 2000 compared to 1.9 at 31st March, 1999. As at 31st March, 2000, the Group's cash balance was increased to HK\$87,676,000 including pledged time deposits of HK\$27,737,000 compared to HK\$61,925,000 including pledged time deposits of HK\$22,563,000 at 31st March, 1999. The strong cash position together with the available banking facilities are considered sufficient to provide adequate liquidity and capital resources for the Group's ongoing operating requirements.

EMPLOYEES

As of 31st March, 2000, the Group had a total of 111 employees. This compares to 105 employees as of 31st March, 1999.

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.

REPORT OF THE DIRECTORS

DIRECTORS

The directors during the year were:

Mr. Wong Tek Sun, Takson
Ms. Pang Shu Yuk, Adeline Rita
Mr. Cheung Man Ki
Mr. Lian Cheng Chi
Mr. Tsao Kwang Yung, Peter*
Mr. Lee Kwok Cheung*

** independent non-executive directors*

In accordance with clause 87 of the Company's Bye-laws, Mr. Lian Cheng Chi retires by rotation and, being eligible, offers himself for re-election.

The term of office for the independent non-executive directors of the Company are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Bye-laws.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are shown below:

Executive Directors

Mr. Wong Tek Sun, Takson, age 49, 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 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 41, 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 diploma in fashion and clothing from the Hong Kong Polytechnic University. Ms. Pang joined the Group in 1983 and is the wife of Mr. Wong Tek Sun, Takson.

Mr. Cheung Man Ki, age 34, is the Chief Financial Officer of the Group and is also the Company Secretary. He is responsible for the financial planning and management information system of the Group. Mr. Cheung holds a Bachelor of Science degree in Economics from the London School of Economics and Political Science, London University, the United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group in 1995, he worked for two international accounting firms, in London and in Hong Kong, for approximately seven years.

Mr. Lian Cheng Chi, age 57, is responsible for the sales 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.



DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent Non-Executive Directors

Mr. Tsao Kwang Yung, Peter, CBE, CPM, age 66, 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 51, 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.

SERVICE CONTRACTS

Mr. Lian Cheng Chi has a service contract with the Company for a period of three years commencing 1st September, 1997 and which thereafter continues unless and until terminated by either party giving to the other party three months' notice in writing. As at 31st March, 2000, the service contract is determinable within one year without payment of compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, 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.

REPORT OF THE DIRECTORS

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	Outstanding
			number of share options as at 31st March, 1999	options exercised during the year	number of share options as at 31st March, 2000
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	9,000,000	8,000,000	1,000,000
Cheung Man Ki	15th April, 1998	HK\$0.30	8,650,000	6,250,000	2,400,000

The share 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 company, 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 equity in, or debt securities of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st March, 2000, 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 beneficially held					Total interests	Number of shares over which options have been granted which remained outstanding
	Personal interests	Family interests	Corporate interests	Other interests			
Wong Tek Sun, Takson	1,018,000	–	237,600,000 <i>(Note 1)</i>	237,600,000 <i>(Note 1)</i>	238,618,000	9,000,000 <i>(Note 2)</i>	
Pang Shu Yuk, Adeline Rita	–	237,600,000 <i>(Note 1)</i>	–	237,600,000 <i>(Note 1)</i>	238,618,000	9,000,000 <i>(Note 2)</i>	
		1,018,000					
Lian Cheng Chi	8,000,000	–	–	–	8,000,000	1,000,000	
Cheung Man Ki	6,250,000	–	–	–	6,250,000	2,400,000	

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

Notes:

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.

2. Each of Mr Wong Tek Sun, Takson and Ms Pang Shu Yuk, Adeline Rita is granted 9,000,000 share options in the Company. They are, by virtue of family interest, interested in each other's 9,000,000 share options in the Company.

Save as disclosed above, as at 31st March, 2000, none of the directors had any other interests in the shares 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' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

Other than the interests of Wangkin Investments Inc. and Takson International Holdings Limited in the same 237,600,000 shares of the Company as described in Note 1 above, no person was 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 as at 31st March, 2000.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March, 2000 amounted to approximately HK\$73,050,000 (1999: HK\$70,635,000).

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

Pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, an audit committee, comprising two independent non-executive directors, namely Messrs. Tsao Kwang Yung, Peter and Lee Kwok Cheung, was established on 27th January, 1999.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

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 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.

YEAR 2000 COMPLIANCE

Details of the Group's assessment of the Year 2000 problem, structure and progress of the compliance project have been disclosed in the interim report dated 15th November, 1999. The Group became Year 2000 compliant in July 1999. Costs which have been incurred on the Year 2000 projects are not considered to be significant to the Group. The Group has no further commitments in respect of the Year 2000 project.

To date, the Group has not experienced any Year 2000 non-compliance issues. Accordingly, the Group's contingency plans for mission-critical systems to ensure business continuity in case of system failure due to Year 2000 non-compliance have not been required to be put into use. However, the Group is mindful that the Year 2000 problem may still persist into the year, therefore, there is still a possibility that a disruption to operations may result. In addition, there is no assurance that equipment or services used by third parties on which the Group does or will rely, will be Year 2000 compliant throughout the year 2000. The failure of the systems or equipment or services used by third parties and on which the Group relies, could have a material impact on its business.

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, 2000, except that the appointment of non-executive directors of the Company are not for specific terms.

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, 2nd August, 2000



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 set out on pages 16 to 42 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 Company's and the Group's circumstances, 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, 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 2nd August, 2000



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2000

	Notes	2000 HK\$'000	1999 <i>HK\$'000</i>
Turnover	2	480,713	357,221
Cost of sales		(352,322)	(246,196)
Gross profit		128,391	111,025
Other revenues	2	4,221	4,212
Distribution costs		(17,521)	(10,611)
Administrative expenses		(46,125)	(45,484)
Operating profit	3	68,966	59,142
Finance costs	4	(8,061)	(7,408)
Share of losses of a jointly controlled entity		(195)	–
Profit before taxation		60,710	51,734
Taxation	5(a)	(10,285)	(3,855)
Profit attributable to shareholders	6	50,425	47,879
Dividends	7	(44,809)	(46,800)
Profit for the year retained	18	<u>5,616</u>	<u>1,079</u>
Basic earnings per share	8	<u>13.9 cents</u>	<u>13.3 cents</u>
Diluted earnings per share	8	<u>13.0 cents</u>	<u>13.0 cents</u>

CONSOLIDATED BALANCE SHEET

As at 31st March, 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Intangible assets	11	1,158	1,310
Fixed assets	12	72,217	73,087
Investment in a jointly controlled entity	14	15,076	–
Current assets			
Inventories	15	74,146	66,605
Accounts receivable and prepayments		62,714	44,849
Other investments	16	–	1,635
Time deposits		54,660	37,773
Pledged time deposits	22	27,737	22,563
Cash and bank balances		5,279	1,589
		224,536	175,014
Current liabilities			
Accounts payable, bills payable and accrued charges		15,944	18,450
Trust receipt and export packing loans	22	40,703	43,793
Bank loans – secured	22	35,000	–
Obligations under finance leases and hire purchase contracts	20	417	257
Proposed dividend	7	41,206	18,000
Taxation payable	5(b)	6,788	1,060
Bank overdrafts – secured	22	4,762	9,758
		144,820	91,318
Net current assets		79,716	83,696
		168,167	158,093
<i>Financed by:</i>			
Share capital	17	37,460	36,000
Reserves	18	129,440	120,984
Shareholders' funds		166,900	156,984
Long-term liabilities	19	1,267	1,109
		168,167	158,093

On behalf of the Board



Wong Tek Sun, Takson
Director

On behalf of the Board



Cheung Man Ki
Director



BALANCE SHEET

As at 31st March, 2000

		2000	1999
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Investments in subsidiaries	13	189,370	164,221
Current assets			
Accounts receivable and prepayments		294	295
Cash and bank balances		4,399	13
		4,693	308
Current liabilities			
Other payables and accrued charges		601	1,028
Taxation	5(b)	4	44
Proposed dividend	7	41,206	18,000
		41,811	19,072
Net current liabilities		(37,118)	(18,764)
		152,252	145,457
<i>Financed by:</i>			
Share capital	17	37,460	36,000
Reserves	18	114,792	109,457
Shareholders' funds		152,252	145,457

On behalf of the Board



Wong Tek Sun, Takson
Director

On behalf of the Board



Cheung Man Ki
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2000

	2000	1999
Notes	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	21(a) 38,973	56,949
Returns on investments and servicing of finance		
Interest received	3,393	3,535
Interest paid	(7,933)	(7,347)
Interest element of finance leases and hire purchase contracts	(128)	(61)
Dividends received	25	169
Dividends paid	(21,603)	(39,600)
Net cash outflow from returns on investments and servicing of finance	(26,246)	(43,304)
Taxation		
Hong Kong profits tax paid	(4,813)	(8,545)
Overseas taxation paid	(86)	(4)
Total taxation paid	(4,899)	(8,549)
Investing activities		
Additions for trademarks	(13)	(41)
Purchases of fixed assets	(1,173)	(778)
Increase in investment in a jointly controlled entity	(14,104)	–
Increase in amount due from a jointly controlled entity	(972)	–
Proceeds from sales/(purchases) of other investments	3,537	(742)
Proceeds from disposal of fixed assets	195	705
Net cash outflow from investing activities	(12,530)	(856)
Net cash (outflow)/inflow before financing	(4,702)	4,240
Financing	21(b)	
Proceeds from exercise of share options	4,380	–
New bank loan	35,000	–
Repayment of bank loans	(4,380)	(1,618)
Payment of capital element of finance leases and hire purchase contracts	(840)	(581)
Net cash inflow/(outflow) from financing	34,160	(2,199)
Increase in cash and cash equivalents	29,458	2,041
Cash and cash equivalents brought forward	35,127	33,090
Effect of foreign exchange rate changes	(1)	(4)
Cash and cash equivalents carried forward	21(c) 64,584	35,127

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st March, 2000

		2000	1999
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gains arising on translation of accounts of subsidiaries and a jointly controlled entity	<i>18</i>	<u>32</u>	<u>–</u>
Net gains not recognised in the profit and loss account		32	–
Profit attributable to shareholders		<u>50,425</u>	<u>47,879</u>
Total recognised gains and losses		<u><u>50,457</u></u>	<u><u>47,879</u></u>

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated 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. The accounts are prepared under the historical cost convention as modified by the revaluation of investments in securities.

As a result of the adoption of the revised Hong Kong Statement of Standard Accounting Practice 1 which became effective this year, certain comparative figures have been reclassified or extended accordingly.

(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 its voting power or 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 permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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. 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 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 on the reducing balance basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

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%

1. PRINCIPAL ACCOUNTING POLICIES *(continued)**(v) 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.

(vi) 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.

(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 that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

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 rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)***(g) Other investments**

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

(h) Inventories

Inventories comprise stocks, work in progress and goods held for resale 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.

(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 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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)***(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 charges is recognised when samples are approved by customers.

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

(m) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme for all the employees (except for directors) of a subsidiary of the Company. Both the Group and employees are required to contribute each month an amount equal to 5% of the basic salary respectively. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions to this scheme are expensed as incurred and are reduced by contributions and related accrued interest forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(n) 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 sale of outerwear garments. Revenues recognised during the year are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Turnover		
Sales of garments	480,713	357,221
Other revenues		
Dividend income from listed investments	25	169
Income from sample charges	803	508
Interest income	3,393	3,535
	4,221	4,212
Total revenues	484,934	361,433

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Crediting		
Net exchange gains	76	–
Net realised gain on disposal of other investments	1,902	142
Charging		
Amortisation of trademarks	166	163
Auditors' remuneration		
Current year	624	608
(Over)/under provision in previous years	(4)	239
Depreciation		
Owned fixed assets	2,853	2,919
Leased fixed assets	262	252
Net exchange losses	–	440
Net loss on disposal of fixed assets	233	123
Operating leases		
Land and buildings	234	999
Machinery and equipment	37	154
Provision for doubtful debts	–	58
Provision for slow-moving inventories	1,410	502
Retirement benefit costs	512	204
Staff costs	32,016	29,978
Unrealised loss on other investments	–	761

4. FINANCE COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	7,925	7,284
Interest element of finance leases and hire purchase contracts	128	61
Other incidental borrowing costs	8	63
	<u>8,061</u>	<u>7,408</u>
Total costs incurred	<u><u>8,061</u></u>	<u><u>7,408</u></u>

5. TAXATION

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax		
Current tax (<i>note (i)</i>)	8,162	5,183
Under/(over) provision in previous years (<i>note (ii)</i>)	1,982	(632)
10% rebate	–	(601)
Transfer to deferred taxation account (<i>note (c)</i>)	(342)	(201)
Overseas taxation		
Current tax (<i>note (iii)</i>)	501	108
Overprovision in previous years	(18)	–
Transfer to deferred taxation account (<i>note (c)</i>)	–	(2)
	<u>10,285</u>	<u>3,855</u>

- (i) Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year.
- (ii) The amount in 2000 represents the underprovision on profits tax by the Group for the years of assessment 1997/1998 and 1998/1999.
- (iii) Overseas taxation represents the tax provided by a subsidiary, calculated at the tax rates prevailing in the country in which the subsidiary operates.

5. TAXATION (continued)

(b) The amount of taxation in the balance sheet represents:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Hong Kong	6,288	956	4	44
Overseas	500	104	–	–
	<u>6,788</u>	<u>1,060</u>	<u>4</u>	<u>44</u>

Hong Kong and overseas taxation for the Group and the Company represents the amount provided for the current and previous years less the amount of provisional tax paid.

(c) The amount of deferred taxation represents:

	Group			
	2000		1999	
	Full potential liabilities/ (assets) HK\$'000	Amount recognised HK\$'000	Full potential liabilities/ (assets) HK\$'000	Amount recognised HK\$'000
Accelerated depreciation allowances	393	412	640	754
Tax losses	(221)	–	(214)	–
	<u>172</u>	<u>412</u>	<u>426</u>	<u>754</u>

A potential deferred tax asset, which represents mainly timing differences arising from tax losses 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, 2000, the potential deferred tax asset amounted to approximately HK\$221,000.

Movements on the provision for deferred taxation are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
At 1st April	754	957
Transferred from profit and loss account (note (a))	(342)	(203)
At 31st March	<u>412</u>	<u>754</u>

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$47,224,000 (1999: HK\$18,332,000).

7. DIVIDENDS

	Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interim, paid, of 1.0 cent (1999: 8.0 cents) per ordinary share	3,603	28,800
Final, proposed, of 11.0 cents (1999: 5.0 cents) per ordinary share	<u>41,206</u>	<u>18,000</u>
	<u>44,809</u>	<u>46,800</u>

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$50,425,000 (1999: HK\$47,879,000).

The basic earnings per share is based on the weighted average of 363,529,372 (1999: 360,000,000) ordinary shares in issue during the year. The diluted earnings per share is based on 363,529,372 (1999: 360,000,000) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 23,988,032 (1999: 7,741,276) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9. RETIREMENT BENEFIT COSTS

A subsidiary of the Company operates a defined contribution retirement scheme which provides retirement benefits to its employees.

The scheme's assets are held under a provident fund managed by an independent administrator. Under the scheme, both the employer and employees are required to contribute 5% of the basic salaries on a monthly basis. The employees are entitled to 100% of the employer's contribution and accrued interest after 10 years of completed service, or at a reduced scale of between 40% to 95% after completion of 2 to 9 years' service. The forfeited contributions and the related accrued interest are to be used to reduce the employer's contribution.

The aggregate employer's contribution, net of forfeited contributions and their accrued interest, which have been dealt with in the profit and loss account for the relevant years amounted to:

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Gross employer's contributions	701	746
Less: Forfeited contribution and their accrued interest utilised to offset employer's contribution for the year	<u>(189)</u>	<u>(542)</u>
Net employer's contributions charged to profit and loss account	<u>512</u>	<u>204</u>

As at 31st March, 2000, the amount of forfeited contributions and their accrued interest available to offset future employer's contributions to the scheme amounted to approximately HK\$14,000 (1999: HK\$48,000).

10. 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:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Fees	360	260
Other emoluments		
Basic salaries and housing allowances	9,716	9,013
Benefits in kind - share option	15,105	-
	<u>25,181</u>	<u>9,273</u>

Directors' fees disclosed above represent amount paid to 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.

During the year, two of these directors had exercised their options to subscribe for 14,250,000 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\$1.36.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2000	1999
Emolument bands		
HK\$Nil – HK\$1,000,000	2	4
HK\$1,000,001 – HK\$1,500,000	-	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	-	1
HK\$5,500,001 – HK\$6,000,000	1	-
HK\$7,500,001 – HK\$8,000,000	1	-
HK\$9,000,001 – HK\$9,500,000	1	-
	<u>6</u>	<u>7</u>

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include four directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (1999: one) individual during the year are as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and benefits in kind	621	554
Bonuses	–	91
Pensions	–	27
Compensation for loss of office		
Contractual payments	738	–
Others	246	–
	<u>1,605</u>	<u>672</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2000	1999
HK\$Nil – HK\$1,000,000	–	1
HK\$1,500,001 – HK\$2,000,000	1	–
	<u>1</u>	<u>1</u>

11. INTANGIBLE ASSETS

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trademarks		
Cost		
At 1st April	2,481	2,435
Additions	13	41
Exchange difference	5	5
At 31st March	<u>2,499</u>	<u>2,481</u>
Accumulated amortisation		
At 1st April	1,171	1,007
Amortisation	166	163
Exchange difference	4	1
At 31st March	<u>1,341</u>	<u>1,171</u>
Net book value at 31st March	<u>1,158</u>	<u>1,310</u>

12. FIXED ASSETS

	Group						Total HK\$'000
	Leasehold land and buildings HK\$'000	Leasehold improve- ments 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, 1999	68,500	2,098	4,031	321	2,462	8,600	86,012
Additions	-	537	98	-	1,434	604	2,673
Disposals	-	(46)	-	-	(507)	(93)	(646)
At 31st March, 2000	68,500	2,589	4,129	321	3,389	9,111	88,039
Aggregate depreciation:							
At 1st April, 1999	2,740	1,080	2,642	147	1,243	5,073	12,925
Charge for the year	1,370	211	214	26	325	969	3,115
Disposals	-	(14)	-	-	(139)	(65)	(218)
At 31st March, 2000	4,110	1,277	2,856	173	1,429	5,977	15,822
Net book value:							
At 31st March, 2000	<u>64,390</u>	<u>1,312</u>	<u>1,273</u>	<u>148</u>	<u>1,960</u>	<u>3,134</u>	<u>72,217</u>
At 31st March, 1999	<u>65,760</u>	<u>1,018</u>	<u>1,389</u>	<u>174</u>	<u>1,219</u>	<u>3,527</u>	<u>73,087</u>

- (i) Leasehold land and buildings are situated in Hong Kong, and held on leases of between 10 to 50 years and for the Group's own use.
- (ii) As at 31st March, 2000, the leasehold land and buildings were charged to a bank to secure banking facilities granted to the Group (note 22).
- (iii) Cost, accumulated depreciation and net book value of fixed assets held under finance leases and hire purchase contracts as at 31st March, 2000 are as follows:

	Group		Net book value HK\$'000
	Cost HK\$'000	Accumulated depreciation HK\$'000	
Motor vehicles	1,991	412	1,579
Office and computer equipment	52	5	47
	<u>2,043</u>	<u>417</u>	<u>1,626</u>

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	68,725	68,192
Amount due by a subsidiary	120,645	96,029
	189,370	164,221

The amount due by a subsidiary is unsecured, interest free and has no fixed terms of repayment.

The following is a list of the subsidiaries at 31st March, 2000:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Attributable equity interest
B2B Garment Limited*	British Virgin Islands	Investment holding	1 ordinary share of US\$1	#100%
Fan Shing Trading Company Limited	Hong Kong	Trading of outerwear garments supplied by a Group company in Hong Kong	500 ordinary shares of HK\$1,000 each	100%
Powderhorn Establishment*	Liechtenstein	Holding of trademarks in Liechtenstein	Swiss Franc30,000	100%
Reunification Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	#100%
Takson (B.V.I.) Limited	British Virgin Islands	Investment holding	1,000 ordinary share of US\$1 each	#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 ("U.S.A.")	Trading of outerwear garments supplied by a Group company in the U.S.A.	200,000 ordinary shares of US\$1 each	100%
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of outerwear garments in Hong Kong	20 ordinary shares of HK\$10,000 each	100%

13. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Attributable equity interest
Takson Garment Services Limited	British Virgin Islands	Contracting agency in the P.R.C.	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%
Takson Technology Limited*	British Virgin Islands	Investment holding	1,000 ordinary shares of US\$1 each	#100%

Shares held directly by the Company

* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net liabilities of subsidiaries not audited by PricewaterhouseCoopers were not material to the Group's total net assets.

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	14,104	—
Amount due from a jointly controlled entity	972	—
	<u>15,076</u>	<u>—</u>

As at 31st March, 2000, 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	The People's Republic of China ("P.R.C.")	Development and application of digitisation technology of books and documents and provision of related consultation services in the P.R.C.	Registered capital RMB30,000,000	50%

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(continued)*

On 12th October, 1999, Takson Technology Limited ("TTL"), a wholly-owned subsidiary of the Company entered into a joint venture agreement with Beijing National Library of China Digitisation Technology Company, Limited ("NLCDTC") to establish Cyber Culture Company Limited, a 50:50 Sino-foreign equity joint venture enterprise in Beijing, the P.R.C.. NLCDTC is a wholly-owned business entity of the National Library of China. The board of the joint venture consists of five directors, three of whom are appointed by TTL.

TTL and NLCDTC are entitled to profit sharing and to payback of investments upon the dissolution of the joint venture, in proportion to their respective shares of equity in the joint venture.

TTL has granted an option to NLCDTC, pursuant to which NLCDTC may acquire from TTL 10% of the total investment (including registered capital) in the joint venture at cost. In the event that such option is exercised by NLCDTC, both TTL and NLCDTC shall remain to have joint control over the joint venture.

15. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	62,183	51,336
Work in progress	10,659	13,789
Finished goods	1,304	1,480
	<u>74,146</u>	<u>66,605</u>

At 31st March, 2000, the carrying amount of inventories that are carried at net realisable value amounted to HK\$74,146,000 (1999: HK\$66,605,000).

16. OTHER INVESTMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong, at cost	–	2,506
Less: provision for diminution in value	–	(871)
	<u>–</u>	<u>1,635</u>
Market value as at 31st March	<u>–</u>	<u>1,635</u>

17. SHARE CAPITAL

	Company	
	2000	1999
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
374,600,000 (1999: 360,000,000) ordinary shares of HK\$0.10 each	<u>37,460</u>	<u>36,000</u>

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.

During the year, the details of the share options exercised pursuant to the share option scheme of the Company are as follows:

	Number of share options	
	2000	1999
Outstanding at the beginning of year	36,000,000	–
Granted on 15th April, 1998 with subscription price of HK\$0.30 per share	–	36,000,000
Exercised on 5th January, 2000	<u>(14,600,000)</u>	–
Outstanding at the end of year	<u>21,400,000</u>	<u>36,000,000</u>

The share options are exercisable from 15th October, 1998 up to 14th October, 2000. During the year, no option has been cancelled under the scheme.

18. RESERVES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Share premium				
Balance brought forward	38,822	38,822	38,822	38,822
Premium on exercise of share options	2,920	–	2,920	–
Balance carried forward	41,742	38,822	41,742	38,822
Contributed surplus (note (a))				
Balance brought forward and carried forward	–	–	67,992	67,992
Exchange fluctuation reserve				
Balance brought forward	126	126	–	–
Exchange gains arising on translation of accounts of subsidiaries and a jointly controlled entity	32	–	–	–
Transfer to profit and loss account	(112)	–	–	–
Balance carried forward	46	126	–	–
Reserve on consolidation				
Balance brought forward and carried forward	3,214	3,214	–	–
Retained profits				
Balance brought forward	78,822	77,743	2,643	31,111
Profit for the year retained (note (b))	5,616	1,079	2,415	(28,468)
Balance carried forward	84,438	78,822	5,058	2,643
	129,440	120,984	114,792	109,457

- (a) The contributed surplus at 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 exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a company may declare or pay a dividend, or make a distribution 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.

18. RESERVES *(continued)*

- (b) Included in the Group's retained profits was accumulated losses of HK\$195,000 (1999: HK\$nil) attributable to jointly controlled entity.
- (c) The Company has undertaken to a bank not to pay any dividends in excess of a certain percentage of the Group's annual profit attributable to shareholders in respect of the year ending 31st March, 2001 before certain loan repayments are made to the bank.

19. LONG-TERM LIABILITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Obligations under finance leases and hire purchase contracts wholly repayable within five years	855	355
Deferred taxation (<i>note 5(c)</i>)	412	754
	<u>1,267</u>	<u>1,109</u>

20. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The obligations under finance leases and hire purchase contracts are repayable as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year	417	257
In the second year	417	178
In the third to fifth year inclusive	438	177
	<u>1,272</u>	<u>612</u>

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Profit before taxation	60,710	51,734
Amortisation of trademarks	166	163
Depreciation of owned fixed assets	2,853	2,919
Depreciation of fixed assets held under finance leases and hire purchase contracts	262	252
Net loss on disposal of fixed assets	233	123
Net realised gain on disposal of other investments	(1,902)	(142)
Unrealised loss on other investments	–	761
Dividends income	(25)	(169)
Interest income	(3,393)	(3,535)
Increase in inventories	(7,541)	(37,540)
(Increase)/decrease in accounts receivable and prepayments	(17,865)	52,023
Decrease in accounts payable, bills payable and accrued charges	(2,506)	(17,048)
Decrease in exchange fluctuation reserve	(80)	–
Interest on bank loans, overdrafts and other liabilities	7,933	7,347
Interest element of finance leases and hire purchase contracts	128	61
	<u>38,973</u>	<u>56,949</u>
Net cash inflow from operating activities	<u>38,973</u>	<u>56,949</u>

(b) Analysis of changes in financing during the year

	Group					
	Share capital including share premium		Bank loans		Finance leases and hire purchase obligations	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Balance at 1st April	74,822	74,822	26,753	28,371	612	837
Inception of finance leases	–	–	–	–	1,500	356
Issue of shares for cash	4,380	–	–	–	–	–
Bank loans raised	–	–	35,000	–	–	–
Repayment of bank loans	–	–	(4,380)	(1,618)	–	–
Cash outflow from financing	–	–	–	–	(840)	(581)
	<u>79,202</u>	<u>74,822</u>	<u>57,373</u>	<u>26,753</u>	<u>1,272</u>	<u>612</u>
Balance at 31st March	<u>79,202</u>	<u>74,822</u>	<u>57,373</u>	<u>26,753</u>	<u>1,272</u>	<u>612</u>

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Time deposits	54,660	37,773
Pledged time deposits	27,737	22,563
Cash and bank balances	5,279	1,589
Trust receipt and export packing loans	(40,703)	(43,793)
Bank loans – secured	(35,000)	–
Bank overdrafts – secured	(4,762)	(9,758)
Less: Trust receipt, export packing and other bank loans repayable more than three months from the date of advance	57,373	26,753
	<u>64,584</u>	<u>35,127</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\$1,500,000 (1999: HK\$356,000).

22. BANKING FACILITIES

As at 31st March, 2000, the Group's banking facilities amounting to HK\$315,875,000 (1999: HK\$273,625,000) were secured by the following:

- (i) charge on bank deposits of the Group amounting to HK\$27,737,500 (1999: HK\$22,562,500);
- (ii) first legal charge over properties held by a subsidiary with an aggregate carrying value of HK\$64,390,000 (1999: HK\$65,760,000) (note 12); and
- (iii) corporate guarantees from the Company and certain subsidiaries of the Group.

23. CONTINGENT LIABILITIES

- (i) The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2000 amounted to HK\$79,964,000 (1999: HK\$53,515,000).
- (ii) At 31st March, 2000, bills of exchange discounted with a bank with recourse amounted to HK\$4,095,000 (1999: HK\$nil) for the Group.
- (iii) As at 31st March, 2000, 17 (1999: 13) employees had completed the required number of years of service under the Employment Ordinance to be eligible for long service payment on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance.

If termination of employment of all these employees meet the circumstances specified in the Ordinance, the Group's liability at the balance sheet date would be approximately HK\$354,000 (1999: HK\$419,000). No provision has been made for this amount in the accounts as it is expected that the amount will not crystallise in the foreseeable future.

24. COMMITMENTS

(a) Capital commitments

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for in respect of		
– a motor vehicle	–	1,258
– a jointly controlled entity in Beijing, the P.R.C. (<i>note 14</i>)	<u>56,659</u>	–
	<u>56,659</u>	<u>1,258</u>

(b) Commitments under operating leases

At 31st March, 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group			
	2000		1999	
	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>753</u>	<u>14</u>	<u>54</u>	<u>14</u>

25. ULTIMATE HOLDING COMPANY

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

26. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 2nd August, 2000.

COMPARATIVE TABLE OF RESULTS, ASSETS AND LIABILITIES

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

	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	480,713	357,221	378,767	385,903	248,247
Profit before taxation	60,710	51,734	57,911	32,133	17,731
Taxation	(10,285)	(3,855)	(6,182)	(2,682)	(2,273)
Profit attributable to shareholders	50,425	47,879	51,729	29,451	15,458
Retained profits brought forward	78,822	77,743	36,814	26,363	35,905
Total available for appropriation	129,247	125,622	88,543	55,814	51,363
Dividends	(44,809)	(46,800)	(10,800)	(19,000)	(25,000)
Retained profits carried forward	84,438	78,822	77,743	36,814	26,363
Total assets	312,987	249,411	265,629	174,061	244,777
Current liabilities	(144,820)	(91,318)	(108,388)	(132,233)	(153,725)
	168,167	158,093	157,241	41,828	91,052
Share capital	37,460	36,000	36,000	8	3,410
Reserves	45,002	42,162	42,162	3,537	102
Retained profits	84,438	78,822	77,743	36,814	26,363
Shareholders' funds	166,900	156,984	155,905	40,359	29,875
Long-term liabilities	1,267	1,109	1,336	1,469	61,177
	168,167	158,093	157,241	41,828	91,052

The results, assets and liabilities for each of the three years ended 31st March, 1998 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 Tang’s Room, 3rd Floor, Sheraton Hotel, 20 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 15th September, 2000 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, 2000.
2. To declare a final dividend for the year ended 31st March, 2000.
3. To re-elect the retiring director and to authorise the directors to fix his remuneration.
4. To re-appoint the auditors and to authorise the directors to fix their remuneration.
5. 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 5B, the general mandate granted to the directors of the Company (pursuant to Resolution numbered 5A 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 5A 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 5B 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
Cheung Man Ki
Company Secretary

Hong Kong, 2nd August, 2000

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. The register of members of the Company will be closed from Wednesday, 13th September, 2000 to Friday, 15th September, 2000, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s branch share registrars in Hong Kong, Abacus Share Registrars Limited at the above address not later than 4:00 p.m. on Tuesday, 12th September, 2000.
4. An explanatory statement containing further details regarding the Resolution numbered 5 will be sent to shareholders together with the annual report of the Company for the year ended 31st March, 2000.