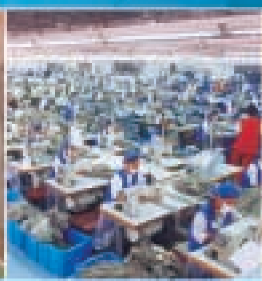
德發集團
TACK FAT GROUP


年報
ANNUAL REPORT 2006

德 發 集 團 國 際 有 限 公 司

TACK FAT GROUP INTERNATIONAL LIMITED

(股份代號 Stock Code: 0928)

德發集團
TACK FAT GROUP

Mudd

Contents

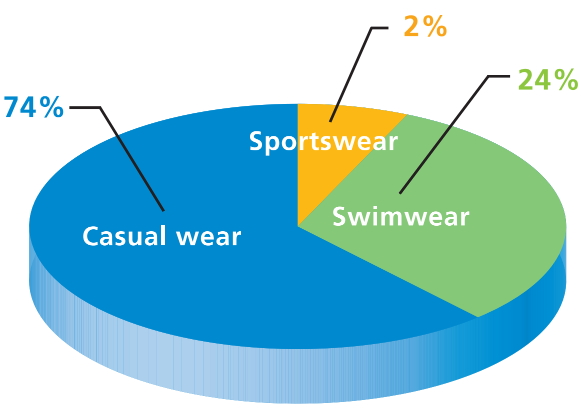
FINANCIAL HIGHLIGHTS

FIVE YEARS FINANCIAL HIGHLIGHTS

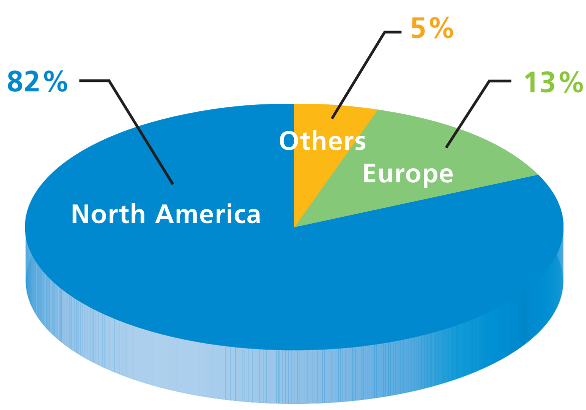
(Expressed in Hong Kong dollars)

	Year ended 31 March				
	2006	2005 (restated)	2004 (restated)	2003 (restated)	2002 (restated)
	('000)	('000)	('000)	('000)	('000)
Turnover	**1,655,166**	1,528,999	989,413	885,031	710,489
Gross Profit	**438,417**	364,800	324,502	292,085	240,981
Profit from operations	**262,346**	194,194	148,123	134,131	114,069
Profit attributable to shareholders	**132,626**	155,539	121,736	104,800	82,381
Earnings per share					
– Basic	**8.74 cents**	10.71 cents	8.82 cents	8.05 cents	8.05 cents
– Diluted	**8.21 cents**	9.81 cents	8.37 cents	7.92 cents	N/A

Turnover Breakdown by Products



Turnover Breakdown by Regions



CHAIRMAN'S STATEMENT

Tack Fat will strive to provide quality and fashionable swimwear and casual wear worldwide to further solidify our industry position.

Mr. Kwok Wing, ***CHAIRMAN***

Benefiting from global outsourcing trends and the favourable market environment created by a rebounding economy, Tack Fat Group International Limited ("Tack Fat" or "the Group") achieved another year of encouraging performance and entered a new stage of robust growth in 2005-2006.

The Group has successfully attained six years of consecutive growth in turnover, gross profit and profit from operations. During the year under review, the Group recorded a total turnover of HK$1,655 million, representing a year-on-year growth of 8.3%. Profit from operations reached HK$262 million, a significant increase of 35.1% as compared to HK$194 million in 2005.

Tack Fat has always been dedicated to consolidating its unrivalled market position as an ideal apparel and swimwear manufacturing partner. By cultivating profitable relationships with internationally renowned brands and large department stores, the Group accumulated a pool of quality customers and secured both new and repeated orders from them. This represented a further expansion of its extensive clientele with stable contract sources, creating a solid platform for accelerating future growth.

Currently, the Group's reaches an overall utilization rate of over 97% and allocates a total of HK$100 million in capital expenditures in FY2007 to expand the production capacity and meet the growing demand from its global customers.

Capitalizing on more than 12 years' experience in operating its Cambodian production base, the Group owns the largest scale of production facilities in Cambodia with strong cost competitiveness relative to Thailand, Vietnam and China. With utilization of competitive strength in both Chinese and Cambodian manufacturing bases, Tack Fat can provide timely delivery of quality products and services to international customers at reasonable prices, giving it a competitive edge over its peers.

While offering superb product quality and developing more fashionable designs, the Group further strengthened its production capabilities, strategically optimized its product mix and maximized its production efficiency to cope with international demand. Meanwhile, the Group implemented stringent cost control measures and a series of continuous programs to improve productivity while effectively achieving economies of scale and establishing a relatively low cost structure.

Facing immense development potential in the retail sector, Tack Fat is well-poised to tap into the promising mainland market by cooperating with Mudd USA to establish Mudd retail stores in China. In mid-January, the Mudd retail operation opened its first Mudd flagship store in Beijing and is currently under plan to open more Mudd retail stores and establish an extensive network in first and second tier cities. We expect that encouraging results is to be achieved in the short run.

Although the Group maintained strong growth momentum in its core manufacturing business by achieving strong double-digit growth in profit from operations, the Group recorded a loss in its associate company, Mudd USA, as a result of a decline in retail selling price and profit margins brought forth by over supply upon the termination of worldwide quota restriction.

Net profit attributable to shareholders amounted to HK$133 million, a slight decrease of 14.7% as compared to same period in 2005. However, considering the Group’s strong financial position and positive business outlooks, the Board recommended a final dividend of HK1.81 cents per share. Together with an interim dividend of HK1.2 cents per share, the Group’s total dividend for the year 2005/06 was HK3.01 cents. (2005: HK3.2 cents per share)

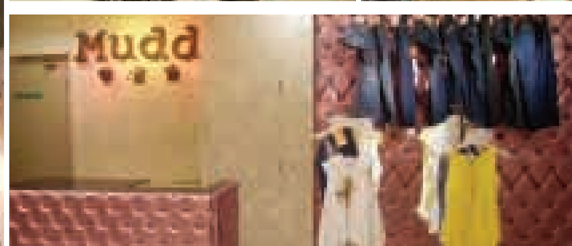
Tack Fat will continue to make consistent dedication to achieving the development strategy stated in its 2002 IPO listing prospectus, in which the Group pledged to explore the PRC market and further strengthen its leading position as a global swimwear and casual wear manufacturer.

On behalf of the Group, I would like to express my sincere gratitude to our management and staff members for their loyal support and invaluable contribution to our success over the years. We endeavour to excel in the international arena and generate healthy returns to our shareholders.

For and on behalf of the Board,

Kwok Wing
Hong Kong, 27 July 2006

MANAGEMENT DISCUSSION AND ANALYSIS



LEADING THE WORLD'S SWIMWEAR & CASUAL WEAR

BUSINESS REVIEW AND PROSPECTS

INDUSTRY OVERVIEW

The worldwide garment manufacturing industry continued to be affected by the quota uncertainties arising from the trading disputes between China and the U.S., which led to a turbulent market condition.

Despite the unfavorable business environment, Tack Fat, a large-scale manufacturer with an international client base, specialized capabilities and best in class level of market competitiveness, capitalized on the prevailing trend of outsourcing to Asian countries, successfully maintained its leading position and recorded positive growth in both turnover and profit from operations.

OPERATIONS REVIEW

For the year ended 31 March 2006, the Group's turnover and profit from operations reached $1,655,166,000 and $262,346,000, representing year-on-year growth of 8.3% and 35.1% respectively. Increases in both turnover and profit from operations were mainly attributable to the growth in sales from owned OEM/ODM operations and the Group's successful production strategy of having dual production bases located in the PRC and Cambodia.

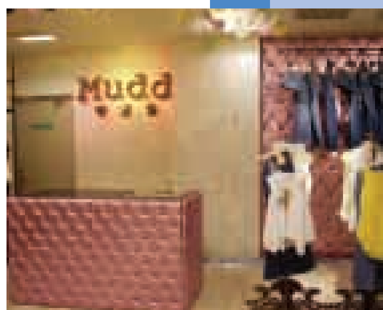
The increase in total sales of $126,167,000, or 8.3% was primarily due to the growth in sales from owned OEM/ODM operations. The Group's production base in Cambodia has been largely benefited from the trading disputes arose between the PRC and US/EU in 2005, which caused overseas customers to shift their production orders from the PRC to other unaffected countries, including Cambodia.

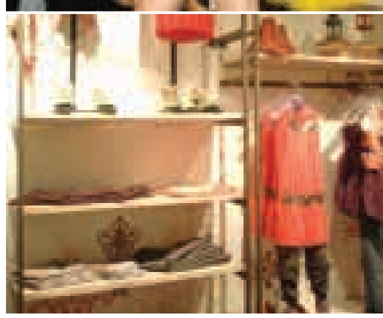
On the other hand, the sales derived from Mudd USA's sourcing operations decreased by 18%, mainly due to the fall in orders received from Mudd USA. Together with some non-operational factors, such as the changes in accounting policies resulting from adoption of new accounting standards and the increasing interest rate, the Group recorded a drop of 14.7% in net profit for the year under review.

As in the previous year, due to the Group's capacity constraint, the production of the majority of Mudd's orders was carried out by external subcontractors. The production carried out by the Group represented about 10% (2005: 15%) of total orders from Mudd. For those out-sourced orders, the Group paid the purchase price of the finished goods produced by the subcontractors and earned a trading margin of about 5%.

During the year, the Group continued to implement a number of cost control initiatives, enhance overall operational efficiency and fortify its cost leadership position. The Group's overall gross profit maintained a healthy margin at 26.5%, an increase of 2.6 percentage points when compared with the same period last year. Excluding the effect of low-margin subcontracting business, the profit margin of organic ODM/OEM business carried by own production stood at about 33.6% (2005: 30.7%).

North America continued to be the Group's largest market, accounted for 82.4% of total turnover, followed by Europe and other markets, which contributed 13.0% and 4.6% of total turnover respectively. During the year under review, the Group's five largest customers accounted for 62.9% of total turnover (FY2004/2005: 53.2%).

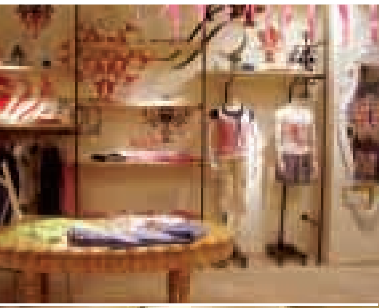


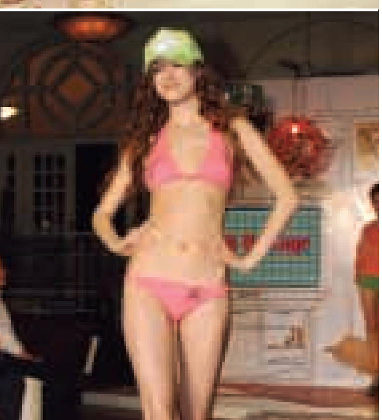


Casual wear and swimwear, the Group's two core products, contributed 73.9% and 23.9% of total turnover respectively, while sportswear made up the remaining 2.2%. ODM and OEM businesses accounted for 40% and 35% of the Group's total turnover, while Mudd's subcontracting business accounted for 25% of total turnover.

Notwithstanding the challenging market environment, Tack Fat successfully captured new business opportunities and attained satisfactory sales performance. For the year ended 31 March 2006, sales volume amounted to 3,286,000 dozens, of which the sales volume of swimwear, casual wear and sportswear totaled 1,129,000 dozens, 2,102,000 dozens and 55,000 dozens, posting year-on-year increases of 8%, 11% and a drop of 10% respectively.

During the year under review, the Group continued to expand its production capacity with a view to meeting increased demand from the international market. At present, the Group has production bases in Cambodia and China with a gross floor area of over 90,000m^2 and a skilled workforce of more than 16,000 professionals. As of 31 March 2006, the Group's annual production capacity reached 1,048,000 dozens of swimwear, 1,250,000 dozens of casual wear and 63,000 dozens of sportswear at an overall utilization rate of over 97% (FY2004/2005: 98%).





Capitalizing on the Cambodian production base's extensive operational experience, stable and loyal workforce (with lower labor costs relative to China, Vietnam and Thailand), and low cost structure backed by economies of scale, the Group has developed a competitive edge in offering international customers timely delivery of quality products and services at reasonable prices.

In last year, the Group acquired an initial equity interest of 6.94% in Sino Legend Limited ("Sino Legend"), which holds 72% equity interest in Mudd (USA) LLC ("Mudd USA"). Mudd USA is a designer and wholesaler of girls and young women's jeans under Mudd brand in the U.S..

In April 2005, the Group acquired a further 43.06% equity interest in Sino Legend. As a result, Sino Legend and Mudd USA have become associates of the Group with effect from April 2005.

Following the worldwide termination of quota restrictions in early 2005, there was flooding of garment supply into the US market. The business of Mudd USA was affected by the magnified supply in the market and resulted in the fall of selling prices and profit margins. As a result, Mudd USA recorded a net loss of approximately $72 million for the year ended 31 March 2006.

SUBSEQUENT EVENTS

On 6 April 2006, Mudd USA, sold its assets relating to the business of marketing, licensing and managing the Mudd brand, trademarks, IP and related names worldwide (excluding Greater China) to the U.S. publicly listed company Iconix Brand Group, Inc ("ICONIX") (NASDAQ: ICON) at a consideration of US$88 million.

Mudd USA retains the exclusive right to use the Mudd trademark in connection with the design, manufacture, sale and distribution of garments in Greater China.

ICONIX's competencies are marketing, brand management and product development and it has extensive network with U.S. store chains. ICONIX is committed to increasing the brand value of Mudd in the U.S and the global market. It is believed that this transaction will directly and indirectly benefit Mudd USA and Tack Fat in various different aspects, including financially, operationally and strategically, and will also energize Mudd US wholesale and Mudd China retail businesses.

FUTURE PROSPECTS

The macro-landscape of the market remained uncertain. As market consolidation further intensifies, the global outsourcing trends prevail and trade disputes between China and the U.S. resolved, the management is prudently optimistic towards Tack Fat's performance in FY2007.

To fully capitalize on the quota and tariff exemptions granted to Cambodia by the U.S. and EU, Tack Fat will allocate a total of $100 million in capital expenditures in FY2007 to expand the production capacity in both Cambodia and the PRC. Expansion will take place in phases. The Group's major production facilities, accounted for 70% of total production, are located in Cambodia. Certain major hardware for facilities expansion was shipped to Cambodia ahead of time. According to the project timetable, the first phase of the production facility expansion plan will be completed in September 2006. Upon completion of all the phases of expansion, the Group's overall production capacity will be increased by approximately 15%, enabling the Group to meet the growing demand from its global customer base.

In addition to utilize an abundant supply of stable, productive low-cost labor, the Group will leverage the geographic advantages of its twin production bases and strategically optimize its product mix in order to alleviate the negative impact of quota uncertainties and enhance overall profitability.

In the PRC, the Group plans to cooperate with Mudd USA in opening Mudd retail stores to establish an extensive network and boost sales performance in PRC. Tack Fat will focus on extending its business reach to the PRC market and strengthening its leading position in the global swimwear and casual wear manufacturing industry. In face of robust economic conditions in the PRC, by the end of FY2007, the Mudd retail operation plans to open 80 stores, including 4 flagship stores and 76 shops-in-shop, in 20 key mainland cities, including Beijing, Shanghai, Tianjin, Shenyang, Wuhan and Nanjing.

The Mudd retail operation has appointed an experienced team of senior management to oversee overall operations. Through a series of new marketing and promotional activities, Tack Fat endeavors to bring affordable, young and trendy lifestyle fashions to a new generation of customers. Tack Fat is confident of its ability to develop the PRC market into a major contributor of new revenue and an important driver of future growth.

Looking to the future, Tack Fat will continue to capitalize on its unique competitive edge, strategically-located production bases and well-focused business model, with an aim to consolidate its leading market position and to provide its clients with fashionable high-quality swimwear, casual wear and sportswear while generating returns to shareholders.

FINANCIAL REVIEW

The Board of Directors has resolved to declare a final dividend of 1.81 cents per share. Together with an interim dividend of 1.2 cents per share, the total dividend for the year 2005/2006 was 3.01 cents per share (2004/2005: 3.2 cents).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained strong. As at 31 March 2006, the Group's total assets were $1,901,912,000 and total current assets $995,614,000. As at that date, the Group's non-current and current liabilities totaled $705,452,000 and $358,260,000 respectively.

As at 31 March 2006, the Group's total bank borrowings amounted to $706,338,000. Most of the bank's borrowings and loans were denominated in Hong Kong dollars and US dollars bearing floating interest rates.

As at 31 March 2006, the Group had outstanding convertible bonds of $187,776,000. None of the convertible bonds were converted since their issue.

The gearing ratio, calculated by dividing the Group's total liabilities by its total assets, was 55.9% (2004/2005: 59.7%).

CASH FLOW

Net cash inflow in the amount of $36,097,000 was generated from operating activities, reflecting primarily contributions from the Group's core OEM/ODM business. The net decrease in cash and cash equivalents of $103,546,000 was primarily resulted from capital expenditure of $74,255,000 and increase in interest costs of $30,225,000.

FINANCING

In February 2006, the Group drawn down a new 3-year syndicated loan of $480 million arranged by Sumitomo Bank and Fubon Bank. Part of the loan proceeds amounting to $400 million was used to repay/refinance the old syndicated loan and the remaining $80 million is for capital expenditure and working capital. The new syndicated loan bears interest at HIBOR + 0.65% and is repayable by three semi-annual installments in ratio of 20%, 30% and 50% starting in February 2008. The interest rate of the new loan is lower than the old one of HIBOR + 1.35%.

On 10 April 2006, the Group arranged and issued through placement agent, BNP Paribas, 227,500,000 new shares at an issue price of $1.03 per share. The net proceeds, which amounted to $229 million are intended to be applied as follows: (1) $100 million for the expansion of the Group's production capacity in Cambodia; (2) $50 million for investment in Mudd retail operations in the PRC; and (3) $79 million for repayment of debts.

Interest expenses for export loans, trust receipt loans and overdraft increased significantly by 120%, 124% and 166% during the year. Such increases reflected mainly an average increase in borrowing rate of about 2% and increase in purchases of about 8%.

The term loan interest increased to $22,533,000 from $9,673,000 last year. This reflected mainly the increase in HIBOR from 2.84% in the last year to 4.53% in this reporting year.

Convertible bonds interest also increased significantly from $1,102,000 last year to $12,826,000, reflecting mainly the effect on the adoption of new accounting standard on convertible bond. The interest expense is now recorded at the estimated fair market rate of approximately 7% instead of the coupon rate of 1% interest.

EMPLOYEES

As at 31 March 2006, the Group employed about 16,000 full time employees in Hong Kong, Cambodia and the PRC. The Group remunerates its employees based on performance and experience.

CHARGES ON GROUP ASSETS

As at 31 March 2006, none of the owned fixed assets of the Group were utilized as security for the Group's borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi, which were relatively stable during the year. The Group is not exposed to material exchange risks.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. KWOK Wing (Chairman)
Mr. LEE Yuk Man
Mr. HO Yik Kin, Norman
Mr. KWOK Kam Chuen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Wing, Eric
Mr. CHING Kwok Ho, Samuel
Mr. HENG Kwoo Seng

COMPANY SECRETARY

Mr. CHU Kin Wah, *FCCA, CPA*

PRINCIPAL OFFICE

13th Floor
Roxy Industrial Centre
58-66 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

COMPANY WEBSITE

www.tackfat.com

REGISTERED OFFICE

Century Yard
Cricket Square, Hutchins Drive
George Town, Grand Cayman
Cayman Islands
British West Indies

AUDITORS

KPMG
Certified Public Accountants

SHARE REGISTRARS

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
Bank of America, N.A.
HSBC
Standard Chartered Bank
DBS Bank (Hong Kong) Limited

INVESTOR AND MEDIA RELATIONS

Hill & Knowlton Asia Ltd
www.hillandknowlton.com.hk

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. KWOK Wing, aged 55, is the Chairman and one of the founders of the Group. Mr. Kwok has over 35 years of experience in the clothing industry. He is responsible for the formulation of overall corporate policy and business development strategy of the Group. Mr. Kwok is also responsible for supervising the operations of the Group's business and maintaining the relationships with major customers of the Group.

Mr. LEE Yuk Man, aged 60, is an executive director of the Group. He has over 34 years of experience in the clothing industry. Mr. Lee has been working for the Group for over 30 years and is responsible for the supervision of the Group's operations, particularly in the areas of purchasing, sales, merchandising and general administration. He graduated with a higher diploma in business administration from the Hong Kong Baptist University.

Mr. HO Yik Kin, Norman, aged 50, is an executive director of the Group. He is responsible for overseeing the sales and merchandising department of the Group. Mr. Ho has over 29 years of experience in the clothing industry and joined the Group in 1995.

Mr. KWOK Kam Chuen, aged 62, is an executive director of the Group. He has over 22 years of experience in the clothing industry and joined the Group in 1980. He is responsible for the general administration and management of the Group's operation in PRC.

Independent non-executive Directors

Mr. LEUNG Yiu Wing, Eric, aged 40, is a certified public accountant practising in Hong Kong. He has over 12 years of experience in taxation and accounting in Hong Kong. Mr. Leung is an associate member of The Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the U.K.. He is currently the sole proprietor of an audit firm Eric Leung & Company. Mr. Leung had been appointed as an executive director and company secretary of CIL Holdings Limited, a company listed on the Stock Exchange.

Mr. CHING Kwok Ho, Samuel, aged 49, is a practising solicitor in Hong Kong. He graduated from the University of Hong Kong with a bachelor of laws degree and a postgraduate certificate in laws. Mr. Ching is currently one of the partners of King & Company in Hong Kong. He has over 20 years of legal experience in banking and finance, liquidation, tenancy, conveyancing, commercial disputes and civil litigation in Hong Kong.

Mr. HENG Kwoo Seng, aged 58, is the managing partner of Morison Heng, Chartered Accountants and Certified Public Accountants. He is a fellow member of The Institute of Chartered Accountants in England & Wales and an associate member of The Hong Kong Institute of Certified Public Accountants. He was formerly a member of the Chinese People Consultative Committee – Hainan until 2003 and is currently the Vice Chairman of The Hong Kong Hainan Commercial Association. He is an independent non-executive directors of various public companies, namely, Lee & Man Holding Limited, Lee & Man Paper Manufacturing Limited, The Thai-Asia Fund Limited, The Thai Asset Fund Limited, Winfair Investment Company Limited, China Fire Safety Enterprise Group Holdings Limited, Soundwill Holding Limited and SIM Technology Group Limited. Mr. Heng is also the Company Secretary of AEON Stores (Hong Kong) Co., Limited and China Life Insurance Company Limited.

SENIOR MANAGEMENT

Ms. CHAN Yuk Fong, aged 42, is the general merchandising manager of the Group. Ms. Chan joined the Group in 1995 and she is responsible for the sales and merchandising of swimming apparel. She graduated with a postgraduate diploma in business management from the Hong Kong Polytechnic University and a bachelor degree in arts from the Chinese University of Hong Kong.

Mr. MUI Wing Yip, aged 40, is the merchandising manager of the Group. He is responsible for the sales, purchasing and merchandising of sportswear. He graduated with a higher diploma in textile and clothing studies from the Hong Kong Polytechnic University. Mr. Mui joined the Group in 1991.

Mr. LUK Chan Ming, aged 45, is the head of production department of the Group. Mr. Luk stations in Hong Kong and is responsible for the supervision and management of the Group's overall production. He co-ordinates with the management of the Group's production facilities in the PRC and Cambodia to arrange for the processing of the customers' orders and ensure smooth production flow. Mr. Luk joined the Group in 1993.

Ms. TAN Miao Yan, aged 53, is the factory manager of the Group's production facilities in the PRC. Ms. Tan is responsible for overseeing the overall production operations of the Group's production facilities in the PRC. Ms. Tan joined the Group in 1987 and she has over 25 years of experience in the production management in the PRC.

Mr. CHIU Wai Lun, aged 43, is the production manager of the Group's production facilities in Cambodia and he joined the Group in 1987. He is responsible for the production management and quality control of the Group's production facilities in Cambodia. Mr. Chiu obtained a diploma in business management jointly awarded by the Hong Kong Polytechnic University and the Hong Kong Management Association.

Ms. PENG Ding, aged 45, is the factory manager of the Group's production facilities in Cambodia. She is responsible for overseeing the overall production operations of the Group's production facilities in Cambodia. Ms. Peng joined the Group in 1987 and she has over 17 years of experience in the manufacturing of apparel.

Mr. CHU Kin Wah, aged 38, is the company secretary of the Group. He is responsible for the overall financial management and corporate governance of the Group. Mr. Chu is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the U.K.. Prior to joining the Group in 2000, he has worked in an international accounting firm in Hong Kong for over seven years.

Mr. SIEW Chun Fai, aged 33, is the financial controller of the Group. He is responsible for financial accounting and taxation planning of the Group. Mr. Siew is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Prior to joining the Group in 2006, Mr. Siew worked in various positions with companies in different sectors, such as listed companies and major international accounting firms. He graduated with a bachelor degree in accounting from the University of Western Sydney.

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of the Group are the manufacturing and sale of garments. The principal activities and other particulars of the individual subsidiaries are set out in note 14 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 12 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 March 2006 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 29 to 99.

Transfer to reserves

Profit attributable to equity shareholders of the Company, before dividends, of HK$132,626,000 (2005 (restated): HK$155,539,000) has been transferred to reserves. Other movements in reserves are set out in note 29 to the financial statements.

An interim dividend of HK1.2 cents (2005: HK1.2 cents) per share was paid on 28 February 2006. The directors have recommended the payment of a final dividend of HK1.81 cents (2005: HK2 cents) per share in respect of the year ended 31 March 2006.

Charitable donations

Charitable donations made by the Group during the financial year amounted to HK$20,000 (2005: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2006, the Group's five largest suppliers accounted for 18.2% of the Group's total purchases. The largest supplier accounted for 4.6% of the Group's total purchases.

For the year ended 31 March 2006, the Group's five largest customers accounted for 62.9% of the Group's total sales. The largest customer accounted for 24.9% of the Group's total sales.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any beneficial interest in any of the Group's five largest suppliers or customers.

FIXED ASSETS

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

Particulars of the major properties and property interests of the Group are shown on page 100 of the annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2006 are set out in notes 22 to 24, to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

DIRECTORS

The directors during the financial year and up to the date of this report were:

Executive directors

Kwok Wing *(Chairman)*
Lee Yuk Man
Ho Yik Kin, Norman
Kwok Kam Chuen

Independent non-executive directors

Leung Yiu Wing, Eric
Ching Kwok Ho, Samuel
Heng Kwoo Seng

In accordance with article 87 of the Company's articles of association, Mr Kwok Wing and Mr Ching Kwok Ho, Samuel will retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The independent non-executive directors were appointed by the board of directors on 28 March 2002 and 27 September 2004 respectively. Their appointments do not have a specific term but are subject to retirement by rotation in annual general meeting of the Company pursuant to the Company's articles of association. Their remuneration is determined by the board of directors on the anniversary of the date of their appointment.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2006, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company, its subsidiaries and associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

	Ordinary shares of HK$0.1 each			
Beneficial interests	**Personal interests**	**Corporate interests**	**Total number of shares held**	**Percentage of total Issued shares**
Mr Kwok Wing	–	762,424,000 *(note)*	762,424,000	50.27%

Note: These shares are held as to 652,800,000 shares by Efulfilment Enterprises Limited and as to 109,624,000 shares by Sharp Asset Holdings Limited. Mr Kwok Wing beneficially owns 50% of the issued share capital of Efulfilment Enterprises Limited and 100% of Sharp Asset Holdings Limited.

In addition to the above, certain director has non-beneficial personal equity interest in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements of the Hong Kong Companies Ordinance. Certain director also has beneficial interests in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2006.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme approved by way of written resolution on 11 April 2002 under which the directors of the Company may invite any full-time employees, directors (including executive directors, non-executive directors and independent non-executive directors) and part-time employees of the Group with weekly working hours of 10 hours and above, any advisers (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the Group from time to time to take up options to subscribe for shares of the Company.

The exercise price is determined by the board of directors at its absolute discretion and notified to each option holder but shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the SEHK on the date of grant, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the SEHK for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share on the date of grant. The options may be exercised in accordance with the terms of the share option scheme at any time during a period to be notified by the board of directors to each option holder but may not be exercised after the expiry of ten years from the date of grant.

The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time. Subject always to the above overall limit, the board of directors may grant options under the share option scheme, generally and without further authority, in respect of such number of shares which may be issued upon exercise of all options to be granted under the share option scheme not exceeding 10% of the issued share capital of the Company as at 29 April 2002, being the date on which the Company's shares were listed on the SEHK. For the purpose of calculating the above, options lapsed in accordance with the share option scheme shall not be counted.

In respect of the share options granted by the Company to the employees on 7 November 2002, 60,000,000 share options were exercised at HK$0.465 per share and the remaining 72,800,000 share options were lapsed.

On 8 November 2004, the Company re-granted 68,000,000 options at a nominal consideration under the share option scheme of the Company to certain employees of the Group to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share of the Company at HK$0.74 (which is equal to the closing price of the shares on the date of grant) with exercisable period from 8 November 2004 to 7 November 2007.

On 24 October 2005, the Company granted 70,000,000 options at a nominal consideration under the share option scheme of the Company to certain employees of the Group to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share of the Company at HK$0.614 (which is equal to the closing price of the shares on the date of grant) with exercisable period from 24 October 2005 to 23 October 2008.

Up to the date of approval of these financial statements, none of the share options granted on 8 November 2004 and 24 October 2005 have been exercised.

The directors consider that it is not appropriate to disclose the value of the share options granted since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The directors believe that the evaluation of the share options based upon speculative assumptions would not be informative and might be misleading.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

	Ordinary shares held	Percentage of total issued shares
Efulfilment Enterprises Limited *(Note 1)*	652,800,000	43.04%
SinoPac Capital Limited *(Note 2)*	234,000,000	15.43%
Sharp Asset Holdings Limited *(Note 1)*	109,624,000	7.23%
Templeton Asset Management Limited	154,818,000	10.21%
Sansar Capital Management, LLC	98,992,000	6.53%
Allianz Aktiengesellschaft	95,526,000	6.30%

Note 1: The issued share capital of Efulfilment Enterprises Limited is beneficially owned by Mr Kwok Wing and Mr Kwok Chiu in the proportion of 50:50. The entire issued share capital of Sharp Asset Holdings Limited is beneficially owned by Mr Kwok Wing.

Note 2: To the best knowledge of the directors of the company, some of the holders of the US$30 million 1% convertible bonds due 2009 have transferred their bonds in favour of SinoPac Capital Limited as security and SinoPac Capital Limited is therefore taken to be interested in the underlying shares of the convertible bond under SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2006.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 33 to the financial statements, no contract of significance to which the Company, any of its subsidiaries or fellow 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 any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the year ended 31 March 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

APPLICATION OF PROCEEDS FROM CAPITAL RAISING

As disclosed in the 2003/2004 annual report, the Group had unutilized proceeds of HK$15 million from public issue of new shares in April and May 2002. Such remaining proceeds of HK$15 million have been fully utilised on the expansion of its own production facilities to print and dye fabric during the year ended 31 March 2006.

On 10 April 2006, the Company issued 227,500,000 new shares at the subscription price of HK$1.03 each. The net proceeds from the share issue of approximately HK$229 million will be applied as to approximately HK$100 million for the expansion of the Group's production capacity in Cambodia, as to HK$50 million for expansion of Mudd retail operation in the PRC and as to the remaining for repayment of the debts. The net proceeds from the new share issue are currently placed on short term deposits with banks in Hong Kong.

RETIREMENT SCHEMES

Particulars of employee retirement schemes of the Group are set out in note 26 on the financial statements.

FIVE YEAR 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 101 of the annual report.

AUDIT COMMITTEE

The audit committee has been convened for the purpose of reviewing the Company's financial reporting and internal control systems. The audit committee currently comprises three independent non-executive directors.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board
Kwok Wing
Chairman

Hong Kong, 27 July 2006

The Company is committed to meeting statutory and regulatory requirements and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2006, with the exception that are discussed later in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

BOARD OF DIRECTORS

The Board comprises seven directors, four of which are executive directors, namely Mr. Kwok Wing, Mr. Lee Yuk Man, Mr. Ho Yik Kin, Norman and Mr. Kwok Kam Chuen, and there are three independent non-executive directors, namely Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel and Mr. Heng Kwoo Seng.

Regular Board meetings are held at least four times a year which include two full Board meetings to approve interim and financial results and to propose interim and final dividends, if appropriate. It is also held as and when necessary to discuss significant transactions, including issuance of debt securities, material acquisitions and disposal, and connected transactions, if any. All Directors are given an opportunity to include matters in the agenda for Board meetings.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Chairman and the senior management.

During the year ended 31 March 2006, 4 board meetings were held. The attendance of each director is set out as follows:

Director	Attendance record
Mr. Kwok Wing	4/4
Mr. Lee Yuk Man	4/4
Mr. Ho Yik Kin, Norman	4/4
Mr. Kwok Kam Chuen	3/4
Mr. Leung Yiu Wing, Eric	3/4
Mr. Ching Kwok Ho, Samuel	3/4
Mr. Heng Kwoo Seng	3/4

The board of directors is responsible for the formulation of business strategies for the Group and the operational decision making is delegated to the management team.

Mr Kwok Wing is the chairman of the board of directors (the "Board") and also assumes the role of managing director. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operations of the Group.

There is no financial, business, family or other material or relevant relationship among the Directors.

TERM OF NON-EXECUTIVE DIRECTORS

The independent non-executive directors were appointed by the board of directors without a specific term but are subject to rotation in Annual General Meeting pursuant to the Company's articles of association.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors a confirmation of independence for the year ended 31 March 2006 pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

REMUNERATION COMMITTEE

To comply with the CG Code, a remuneration committee was established in June 2005. The members of the remuneration committee comprise two independent non-executive directors of the Company, Mr. Leung Yiu Wing, Eric (Chairperson) and Mr. Heng Kwoo Seng, and one executive director, Mr. Kwok Wing.

During the year ended 31 March 2006, one remuneration committee meeting was held. The attendance of each committee member is set out as follows:

Director	Attendance record
Mr. Leung Yiu Wing, Eric	1/1
Mr. Heng Kwoo Seng	1/1
Mr. Kwok Wing	1/1

The main role and function of the remuneration committee consist of determining the remuneration and the terms of employment of the directors. During the year, the remuneration committee has assessed the performance of the executive directors, determined the discretionary bonuses of the executive directors and approved the terms of executive directors' service agreements.

The emoluments of the executive directors are determined with the reference to the duties, responsibilities and experience of the directors and prevailing market conditions. Besides the basic salaries and benefits-in-kind as stipulated in the service agreements, prior approval of the remuneration committee is also required for performance related benefits of the executive directors.

The emoluments of the non-executive directors are determined based on the estimated time spent by them on the Company's matters.

NOMINATION COMMITTEE

The Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested on the Board according to the articles of association of the Company, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the articles of association of the Company and the laws of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the provisions of the articles of association which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position. There was no change in directorship during the year ended 31 March 2006.

AUDITORS' REMUNERATION

During the year ended 31 March 2006, the remuneration paid to the external auditors, KPMG, are analysed as follows:

	HK$
Audit services	1,460,000
Non-audit services	194,000
	1,654,000

STATEMENT BY THE AUDITORS

The statement of the auditors of the Group regarding their responsibilities on the financial statements is set out the in the auditors' report on page 28.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors, Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel and Mr. Heng Kwoo Seng, and reports to the board of directors.

During the year ended 31 March 2006, two audit committee meetings were held. The attendance of each committee member is set out as follows:

Director	**Attendance record**
Mr. Leung Yiu Wing, Eric	2/2
Mr. Ching Kwok Ho, Samuel	2/2
Mr. Heng Kwoo Seng	2/2

During the year, the audit committee has reviewed with the management the accounting principles and practices adopted by the group, the interim and annual financial statements of the group, met and discussed with the external auditors, and raised queries and obtained explanations from the management on issues related to financial and operational control procedures of the group.

The audit committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

DIRECTORS' RESPONSIBILITIES FOR PREPARING FINANCIAL STATEMENTS

The Company's directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view.

The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.

AUDITORS' REPORT

AUDITORS' REPORT TO THE SHAREHOLDERS OF TACK FAT GROUP INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 29 to 99 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 the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 27 July 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

	Note	**2006** **$'000**	2005 (restated) $'000
Turnover	*3*	**1,655,166**	1,528,999
Cost of sales		**(1,216,749)**	(1,164,199)
		438,417	364,800
Other revenue	*4*	**7,728**	9,178
Other net (loss)/income	*4*	**(704)**	378
Distribution costs		**(137,855)**	(137,910)
Administrative expenses		**(45,240)**	(42,252)
Profit from operations		**262,346**	194,194
Finance costs	*5(a)*	**(63,189)**	(26,583)
Share of profits less losses of associates		**(35,752)**	–
Profit before taxation	*5*	**163,405**	167,611
Income tax	*6(a)*	**(30,779)**	(12,072)
Profit attributable to equity shareholders of the Company	*9*	**132,626**	155,539
Dividends payable to equity shareholders of the Company attributable to the year	*10*		
Interim dividend declared and paid during the year		**18,200**	18,134
Final dividend proposed after the balance sheet date		**31,569**	30,333
		49,769	48,467
Earnings per share			
Basic	*11(a)*	**8.74 cents**	10.71 cents
Diluted	*11(b)*	**8.21 cents**	9.81 cents

The notes on pages 37 to 99 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Non-current assets			
Fixed assets	13		
– Other property, plant and equipment		**293,346**	260,013
– Interests in leasehold land held for own use under operating leases		**86,439**	88,339
		379,785	348,352
Interest in associates	15	**432,413**	–
Other financial assets	16	**94,100**	42,100
Deferred tax assets	28(b)	**–**	1,743
		906,298	392,195
Current assets			
Inventories	17	**248,069**	214,401
Trade and other receivables	18	**570,859**	814,566
Cash and cash equivalents	20	**176,686**	284,851
		995,614	1,313,818
Current liabilities			
Trade and other payables	21	**82,473**	72,551
Bank loans and overdrafts	22	**230,954**	369,710
Obligations under finance leases	24	**10,989**	17,701
Current taxation	28(a)	**33,844**	4,348
		358,260	464,310
Net current assets		**637,354**	849,508
Total assets less current liabilities		**1,543,652**	1,241,703

At 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Non-current liabilities			
Bank loans	22	**475,384**	268,000
Convertible bonds	23	**187,776**	234,000
Obligations under finance leases	24	**37,736**	40,895
Provision for long service payments	25	**1,800**	1,800
Deferred tax liabilities	28(b)	**2,756**	9,333
		705,452	554,028
NET ASSETS		**838,200**	687,675
CAPITAL AND RESERVES			
Share capital	29	**151,666**	151,666
Reserves	29	**686,534**	536,009
TOTAL EQUITY		**838,200**	687,675

Approved and authorised for issue by the board of directors on 27 July 2006

Kwok Wing)
) *Directors*
Kwok Kam Chuen)

The notes on pages 37 to 99 form part of these financial statements.

BALANCE SHEET

At 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 $'000
Non-current assets			
Investments in subsidiaries	14	**228,300**	228,300
Current assets			
Amounts due from subsidiaries	19	**453,333**	430,233
Cash and cash equivalents	20	**88**	83
		453,421	430,316
Current liabilities			
Trade and other payables	21	**110**	727
Net current assets		**453,311**	429,589
Total assets less current liabilities		**681,611**	657,889
Non-current liabilities			
Convertible bonds	23	**187,776**	234,000
NET ASSETS		**493,835**	423,889
CAPITAL AND RESERVES			
Share capital	29	**151,666**	151,666
Reserves	29	**342,169**	272,223
TOTAL EQUITY		**493,835**	423,889

Approved and authorised for issue by the board of directors on 27 July 2006

Kwok Wing)
) *Directors*
Kwok Kam Chuen)

The notes on pages 37 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

		2006		2005 (restated)	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Total equity at 1 April					
As previously reported	*29*	**698,933**		542,997	
Prior period adjustments arising from changes in accounting policies under HKAS 17	*2(b), 29*	**(11,258)**		(12,078)	
As restated, before opening balance adjustments	*29*		**687,675**		530,919
Opening balance adjustments arising from changes in accounting policies under HKAS 39	*2(c), 29*		**58,240**		–
At 1 April, after prior period and opening balance adjustments	*29*		**745,915**		530,919
Net income recognised directly in equity:					
Exchange differences on translation of financial statements of overseas subsidiaries	*29*		**2,522**		–
Net profit for the year					
As previously reported				154,719	
Prior period adjustments arising from changes in accounting policies	*2(b)*			820	
Net profit for the year (2005: restated)	*29*		**132,626**		155,539
Total recognised income and expense for the period			**135,148**		155,539

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006		2005 (restated)	
		$'000	**$'000**	$'000	$'000
Dividends declared			**(48,533)**		(46,679)
Movements in equity arising from capital transactions					
Shares issued under share option scheme		**–**		27,900	
Shares issued on conversion of convertible bonds and exercise of share subscription rights, net of issue expenses		**–**		26,462	
Issue expenses of convertible bonds		**–**		(6,466)	
Equity settled share-based transactions	2(a), 29	**5,670**		–	
			5,670		47,896
Total equity at 31 March			**838,200**		687,675

The notes on pages 37 to 99 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006		2005 (restated)	
		$'000	$'000	$'000	$'000
Operating activities					
Profit before taxation		**163,405**		167,611	
Adjustments for:					
– Depreciation		**42,422**		38,602	
– Amortisation of land lease premium		**2,010**		2,006	
– Amortisation of borrowing costs		**1,280**		–	
– Interest income		**(6,708)**		(8,715)	
– Interest expenses		**55,143**		19,589	
– Interest element of finance lease rentals paid		**1,240**		867	
– Share based payments		**5,670**		–	
– Share of profits less losses of associates		**35,752**		–	
– Exchange difference		**1,661**		–	
Operating profit before changes in working capital		**301,875**		219,960	
Increase in inventories		**(33,668)**		(31,391)	
Increase in trade and other receivables		**(236,534)**		(59,339)	
Increase in trade and other payables		**10,479**		2,704	
Cash generated from operations		**42,152**		131,934	
Tax paid					
– Hong Kong Profits Tax paid		**(5,054)**		(7,238)	
– Overseas tax paid		**(1,001)**		(3,056)	
Net cash from operating activities			**36,097**		121,640
Investing activities					
Withdrawal of pledged bank deposits		**–**		27,745	
Payment for purchase of fixed assets		**(74,255)**		(55,970)	
Payment for purchase of associates		**(1,897)**		–	
Payment for purchase of investment securities		**–**		(26,000)	
Proceeds from sale of investment securities		**–**		300	
Payment of refundable acquisition deposit and other acquisition costs, net of refund		**–**		(459,464)	
Interest received		**6,708**		8,715	
Net cash used in investing activities			**(69,444)**		(504,674)

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

		2006		2005 (restated)	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Financing activities					
Capital element of finance lease rentals paid		**(20,334)**		(22,606)	
Net (decrease)/increase in trust receipt loans, export loans and bill discounting loans		**(16,950)**		55,726	
Proceeds from new term loans		**530,228**		90,000	
Repayment of term loans		**(468,714)**		(23,975)	
Interest element of finance lease rentals paid		**(1,240)**		(867)	
Interest paid		**(44,656)**		(14,431)	
Proceeds from shares issued under share option scheme		**–**		27,900	
Issue of shares for cash consideration		**–**		6,236	
Net proceeds from issue of convertible bonds		**–**		227,534	
Dividends paid		**(48,533)**		(46,679)	
Net cash (used in)/generated from financing activities			**(70,199)**		298,838
Net decrease in cash and cash equivalents			**(103,546)**		(84,196)
Cash and cash equivalents at 1 April	*20*		**279,415**		363,611
Cash and cash equivalents at 31 March			**175,869**		279,415

Significant non-cash transactions:

(a) During the year, the Group purchased fixed assets with value totalling $10,463,000 (2005: $19,836,000) under finance leases.

(b) During the year, convertible bonds totalling $nil (2005: $20,280,000) were converted into ordinary shares of the Company (Note 23).

(c) During the year, the Group recorded accrued interest of $11,438,000 (2005: $nil) in respect of convertible bonds, which is payable where redemption of the convertible bonds takes place.

The notes on pages 37 to 99 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at fair value as explained in the accounting policies set out below:

– Financial instruments

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (note 1(i)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they recognised immediately in the income statement.

(e) Other investments in securities

The Group's policies for investments in securities other than investments in subsidiaries are as follows:

(i) Investments in securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (note 1(i)).

(ii) Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(f) Goodwill

Goodwill represents the excess of the cost of an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(i)). The carrying amount of goodwill in respect of an associate is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in an associate is recognised immediately in the income statement.

On disposal of an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other property, plant and equipment

(i) The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)):

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(h));

– buildings held for own use which are situated on the leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)); and

– other items of property, plant and equipment.

(ii) Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation is calculated to write off the cost of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

Buildings	30 to 50 years
Plant and machinery	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles and yacht	4 years

(iv) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

(i) Impairment of investments in securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following long-lived assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– cost of acquiring permanent textile quota entitlements;

– investments in subsidiaries and interest in associates; and

– goodwill.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses
  An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses
  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Textile quota entitlements

Permanent textile quota entitlements are stated at cost less accumulated amortisation and impairment losses (see note 1(i)). Amortisation is provided on a straight-line basis over their estimated economic useful life of three years. Costs of temporary textile quota entitlements are charged to the income statement as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method of costing and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(i)).

(m) Convertible bonds

Convertible bonds that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible bonds is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Convertible bonds *(Continued)*

If the bond is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(q) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution retirement plans

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and defined contribution retirement schemes organised by the People's Republic of China ("the PRC") municipal governments, are recognised as an expense in the income statement as incurred, except to the extent that they are included in as part of the cost of inventories at the balance sheet date.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to those share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes, if any, and is after deduction of any trade discounts.

(ii) Interest income

Interest income from bank deposits is recognised as if accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on equity accounting of foreign associates, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(w) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Groups or of any entity that is a related party of the Group.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 38).

(a) Employee share option scheme (HKFRS 2 "Share-based payment")

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated, except that the Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to employees on or before 7 November 2002; and

(ii) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Employee share option scheme (HKFRS 2 "Share-based payment") *(Continued)*

The adjustments for each financial statement line item affected for the year ended 31 March 2006 are set out as follows:

Effect on net profit for the year:

	2006 *$'000*
Increase in staff costs	5,670
Net decrease in net profit	**5,670**

Effect on equity as at 31 March:

	2006 *$'000*
Increase in capital reserve	5,670
Decrease in retained earnings	(5,670)
Net effect on equity	**–**

No comparative information is presented as the Group has taken advantage of the transitional provisions set out in HKFRS 2.

Details of the employee share option scheme are set out in note 27.

(b) Leasehold land and buildings held for own use (HKAS 17 "Leases")

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With effect from 1 April 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Leasehold land and buildings held for own use (HKAS 17 "Leases") *(Continued)*

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1 April 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

In addition, any land held under operating leases and buildings thereon continue to be presented together as part of property and plant and equipment, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease. However, as from 1 April 2005, such leasehold land and buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the above changes.

The above new policy has been adopted retrospectively with comparative amounts restated.

Further details of the new policy are set out in notes 1(g) and (h).

The adjustments for each financial statement line item affected for 31 March 2005 and 2006 are set out below. It is not practicable to estimate the effect of the change on the Group's net results for the year ended 31 March 2006.

Effect on net profit for the year:

	2006	2005
	$'000	*$'000*
Decrease in depreciation and amortisation	**N/A**	820
Net increase in net profit	**N/A**	820

Effect on net assets as at 31 March:

	2006	2005
	$'000	*$'000*
Decrease in property, plant and equipment	**(101,196)**	(103,096)
Increase in interests in leasehold land held for own use under operating leases	**86,439**	88,339
Decrease in deferred tax liabilities	**3,499**	3,499
Net decrease in net assets	**(11,258)**	(11,258)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Leasehold land and buildings held for own use (HKAS 17 "Leases") *(Continued)*

Effect on equity as at 31 March:

	2006	2005
	$'000	*$'000*
Decrease in land and building revaluation reserve	**(13,350)**	(13,350)
Increase in retained earnings in respect of:		
– current year	**–**	820
– prior years	**2,092**	1,272
Net decrease in equity	**(11,258)**	(11,258)

(c) Financial instruments (HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement")

Changes in accounting policies relating to financial instruments are as follows:

(i) Convertible bonds

In prior years, the accounting policy for convertible bonds was as follows:

– convertible bonds issued were stated at amortised cost (including transaction costs).

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, a new accounting policy has been adopted for the convertible bonds as follows:

– Convertible bonds issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

The change was adopted by way of adjustments to the opening balances of the retained earnings (decreased by $5,157,000), share premium (increased by $6,466,000) and capital reserve (increased by $56,931,000) as at 1 April 2005. As a result, the opening balance of total equity as at 1 April 2005 increased by $58,240,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments (HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement") *(Continued)*

(i) Convertible bonds (Continued)

The adjustments for each financial statement line item affected for the year ended 31 March 2005 and 2006 are set out as follows:

Effect on net profit for the year:

	2006 $'000	2005 $'000
Increase in finance costs	11,438	–
Net decrease in net profit	**11,438**	–

Effect on net assets as at 31 March:

	2006 $'000	2005 $'000
Decrease in trade and other payables	578	–
Decrease in convertible bonds	46,224	–
Net increase in net assets	**46,802**	–

Effect on equity as at 31 March:

	2006 $'000	2005 $'000
Increase in share premium	6,466	–
Increase in capital reserve	56,931	–
Decrease in retained earnings in respect of:		
– current year	(11,438)	–
– prior years	(5,157)	–
Net increase in equity	**46,802**	–

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments (HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement") *(Continued)*

(ii) Bills discounted with recourse

In prior years, the accounting policy for bills discounted with recourse was as follows:

– bills discounted with recourse were derecognised from the balance sheet and discounting liabilities were disclosed as contingent liabilities.

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, a new accounting policy has been adopted for bills discounted with recourse as follows:

– bills discounted with recourse are stated in the balance sheet under trade and other receivables until the bill is settled. The liability from discounting the bill is stated in the balance sheet under bank loans and overdrafts until the bill is settled.

The change was adopted by way of an adjustment to the opening balances of the trade and other receivables (increased by $28,375,000) and bank loans and overdrafts (increased by $28,375,000) as at 1 April 2005. As at 31 March 2006 as a result of adopting the new policy, the trade and other receivables and bank loans and overdrafts increased by the same amount of $11,270,000 and contingent liabilities decreased by $11,270,000. There has been no impact on the income statement for the year ended 31 March 2006. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(d) Definition of related parties (HKAS 24, "Related party disclosures")

As a result of the adoption of HKAS 24, "Related party disclosures", the definition of related parties as disclosed in note 1(w) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

3 TURNOVER

The principal activities of the Group are the manufacturing and sale of garments.

Turnover represents the aggregate of the invoiced value of goods sold and is stated after deducting goods returned, trade discounts and sales tax.

4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2006	2005
	$'000	*$'000*
Other revenue		
Interest income	**6,708**	8,715
Others	**1,020**	463
	7,728	9,178
Other net (loss)/income		
Net exchange (loss)/gain	**(704)**	378

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2006	2005 (restated)
		$'000	*$'000*
(a)	Finance costs:		
	Interest on bank and other borrowings wholly repayable within five years	**55,143**	19,589
	Finance charges on obligations under finance leases	**1,240**	867
	Bank charges	**5,526**	6,127
	Other borrowing costs	**1,280**	–
		63,189	26,583
(b)	Staff costs #:		
	Contributions to defined contribution retirement schemes	**1,349**	1,017
	Equity-settled share-based payment expenses	**5,670**	–
	Salaries, wages and other benefits	**136,685**	137,244
		143,704	138,261
(c)	Other items:		
	Cost of inventories sold #	**1,216,749**	1,164,199
	Subcontracting charges #	**28,518**	27,388
	Depreciation #		
	– owned assets	**36,369**	29,581
	– assets held under finance leases	**6,053**	9,021
	Amortisation of land lease premium #	**2,010**	2,006
	Purchase cost of temporary textile quota entitlements	**1,058**	8,215
	Operating lease charges in respect of properties #	**3,704**	3,312
	Auditors' remuneration – audit services	**1,460**	1,453
	Provision for inventory obsolescence #	**698**	4,799

\# *Cost of inventories sold includes $176,354,000 (2005: $175,583,000) relating to subcontracting charges, staff costs, depreciation expenses, amortisation of land lease premium, operating lease charges and provision for inventory obsolescence, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2006	2005
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**12,879**	8,314
Under/(over)-provision in respect of prior years	**14,605**	(304)
	27,484	8,010
Current tax – Overseas		
Tax for the year	**8,067**	3,469
	35,551	11,479
Deferred tax		
Origination and reversal of temporary differences *(Note 28(b))*	**(4,772)**	593
	30,779	12,072

The provision for Hong Kong Profits Tax for the year is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

The Group's subsidiaries in the PRC are subject to PRC income tax at the rate of 33%.

The Group's subsidiaries in Cambodia are subject to Cambodia income tax at a rate of 9%. Pursuant to the tax exemption certificate dated 8 July 2004 issued by the relevant tax authority, Supertex Limited is exempted from Cambodia income tax for the period from 8 July 2004 to 7 July 2008. Cambodia Sportswear Mfg. Ltd. and Tack Fat Garment (Cambodia) Ltd. are subject to Cambodia income tax at 9%.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006	2005 (restated)
	$'000	*$'000*
Profit before tax	**163,405**	167,611
Notional tax on profit before tax, calculated at Hong Kong Profits Tax rate of 17.5%	**28,596**	29,332
Non-taxable offshore income	**(4,820)**	(4,789)
Non-taxable income	**(1,160)**	–
Tax rate differential of overseas subsidiaries	**(6,581)**	(7,327)
Effect of tax holidays of overseas subsidiaries	**(10,887)**	(4,997)
Non-deductible expenses	**15,555**	157
Under/(over)-provision in respect of prior years	**15,133**	(304)
Deferred taxation derecognised	**(5,057)**	–
Actual tax expense	**30,779**	12,072

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement schemes contributions	2006 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Kwok Wing	–	2,832	100	12	2,944
Lee Yuk Man	–	540	120	12	672
Ho Yik Kin, Norman	–	840	120	12	972
Kwok Kam Chuen	–	240	–	12	252
Independent non-executive directors					
Leung Yiu Wing, Eric	60	–	–	–	60
Ching Kwok Ho, Samuel	60	–	–	–	60
Heng Kwoo Seng	60	–	–	–	60
	180	4,452	340	48	5,020

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement schemes contributions	2005 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Kwok Wing	–	2,832	–	12	2,844
Lee Yuk Man	–	540	–	12	552
Ho Yik Kin, Norman	–	840	–	12	852
Kwok Kam Chuen	–	240	–	12	252
Independent non-executive directors					
Leung Yiu Wing, Eric	60	–	–	–	60
Ching Kwok Ho, Samuel	60	–	–	–	60
Heng Kwoo Seng	30	–	–	–	30
	150	4,452	–	48	4,650

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2005: three) are directors whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining three (2005: two) individuals are as follows:

	2006	2005
	$'000	*$'000*
Salaries and other emoluments	**1,655**	1,296
Discretionary bonuses	**50**	40
Share-based payments	**1,095**	–
Retirement scheme contributions	**36**	18
	2,836	1,354

The emoluments of the three (2005: two) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2006	2005
$		
Nil – 1,000,000	**1**	2
1,000,001 – 1,500,000	**2**	–

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $24,236,000 (2005: profit of $18,513,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2006	2005
	$'000	*$'000*
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	**24,236**	18,513
Final dividends from subsidiaries attributable to profits of the previous financial year, approved and paid during the year	**30,333**	28,545
Company's profit for the year *(note 29)*	**54,569**	47,058

10 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2006	2005
	$'000	*$'000*
Interim dividend declared and paid of 1.2 cents (2005: 1.2 cents) per share	**18,200**	18,134
Final dividend proposed after the balance sheet date of 1.81 cents (2005: 2 cents) per share	**31,569**	30,333
	49,769	48,467

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved and paid during the year

	2006	2005
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 2 cents (2005: 2 cents) per share	**30,333**	28,545

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $132,626,000 (2005 (restated): $155,539,000) and the weighted average of 1,516,664,000 (2005: 1,452,846,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2006 Number of shares *'000*	2005 Number of shares *'000*
Issued ordinary shares at 1 April	**1,516,664**	1,410,576
Effect of conversion of convertible bonds	**–**	15,259
Effect of share issue	**–**	5,949
Effect of share options exercised	**–**	21,062
	1,516,664	1,452,846

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the adjusted profit attributable to ordinary equity shareholders of the Company of $145,043,000 (2005 (restated): $156,651,000) and the weighted average of 1,767,605,000 (2005: 1,597,277,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2006 *$'000*	2005 (restated) *$'000*
Profit attributable to ordinary equity shareholders	**132,626**	155,539
Increase in earnings arising from savings in interest cost, net of tax (assuming the convertible bonds had been converted into shares in the Company at the date of issue)	**12,417**	1,112
Profit attributable to ordinary equity shareholders (diluted)	**145,043**	156,651

11 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

(ii) Weighted average number of ordinary shares (diluted)

	2006 Number of shares *'000*	2005 Number of shares *'000*
Weighted average number of ordinary shares at 31 March	**1,516,664**	1,452,846
Effect of conversion of convertible bonds	**234,000**	127,902
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**16,941**	16,529
Weighted average number of ordinary shares (diluted) at 31 March	**1,767,605**	1,597,277

12 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segment

Throughout the year, the Group has been operating in one single business segment, i.e. the manufacturing and sale of garments.

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditures are based on the geographical location of the assets.

12 SEGMENT REPORTING *(Continued)*

(b) Geographical segments *(Continued)*

The Group's business is principally managed in Hong Kong and other parts of the PRC as well as in Cambodia while the principal markets for the Group's products are wholesalers and retailers in North America, Europe and other regions.

		2006	2005 (restated)
		$'000	*$'000*
(i)	*Segment revenue*		
	North America	**1,363,627**	1,189,687
	Europe	**215,765**	250,341
	Other regions	**75,774**	88,971
		1,655,166	1,528,999
(ii)	*Capital expenditures*		
	Hong Kong	**254**	2,301
	PRC, excluding Hong Kong	**15,197**	24,069
	Cambodia	**59,615**	49,436
		75,066	75,806
(iii)	*Segment assets*		
	Hong Kong	**1,257,615**	1,138,987
	PRC, excluding Hong Kong	**110,979**	115,537
	Cambodia	**533,318**	451,489
		1,901,912	1,706,013

13 FIXED ASSETS

(a) The Group

The Group	Land and buildings held for own use	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles and yacht	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:							
At 1 April 2004 (restated)	152,022	219,664	62,691	13,916	448,293	100,835	549,128
Additions	8,624	49,533	17,262	387	75,806	–	75,806
Disposals	–	(18,246)	(3,748)	–	(21,994)	–	(21,994)
At 31 March 2005 (restated)	160,646	250,951	76,205	14,303	502,105	100,835	602,940
At 1 April 2005 (restated)	160,646	250,951	76,205	14,303	502,105	100,835	602,940
Exchange adjustments	752	840	273	117	1,982	138	2,120
Additions	31,577	38,510	4,720	259	75,066	–	75,066
At 31 March 2006	192,975	290,301	81,198	14,679	579,153	100,973	680,126
Accumulated depreciation:							
At 1 April 2004 (restated)	17,040	153,589	42,360	12,495	225,484	10,490	235,974
Charge for the year	3,578	27,453	7,106	465	38,602	2,006	40,608
Written back on disposals	–	(18,246)	(3,748)	–	(21,994)	–	(21,994)
At 31 March 2005 (restated)	20,618	162,796	45,718	12,960	242,092	12,496	254,588
At 1 April 2005 (restated)	20,618	162,796	45,718	12,960	242,092	12,496	254,588
Exchange adjustments	206	779	201	107	1,293	28	1,321
Charge for the year	3,757	31,120	7,029	516	42,422	2,010	44,432
At 31 March 2006	24,581	194,695	52,948	13,583	285,807	14,534	300,341
Net book value:							
At 31 March 2006	168,394	95,606	28,250	1,096	293,346	86,439	379,785
At 31 March 2005 (restated)	140,028	88,155	30,487	1,343	260,013	88,339	348,352

13 FIXED ASSETS *(Continued)*

(b) An analysis of net book value of the properties is as follows:

	The Group	
	2006	2005 (restated)
	$'000	*$'000*
In Hong Kong		
– Medium-term leases #	**5,990**	6,136
In PRC, other than Hong Kong		
– Medium-term leases #	**18,359**	18,352
In Cambodia		
– Long-term leases #	**230,484**	203,879
	254,833	228,367
Representing:		
Land and buildings held for own use	**168,394**	140,028
Interests in leasehold land held for own use under operating leases	**86,439**	88,339
	254,833	228,367

\# *Medium-term leases represent leases with an unexpired period of less than 50 years but not less than 10 years. Long-term leases represent leases with an unexpired period of not less than 50 years.*

Pursuant to certain non-cancellable long lease agreements, the Company's subsidiaries in Cambodia leased two parcels of land from the Government of Cambodia for a period of 70 years beginning in April and September 1994 respectively, in consideration of pre-determined fixed annual rents totalling approximately $55,057,000 plus contingent rents at 0.3% of the annual net profits of the subsidiaries. Pursuant to the lease agreements, the subsidiaries' title to fixtures erected on the relevant land will be surrendered to the Government of Cambodia upon expiry of the respective leases. The Group's interests in such land have been recognised as leased assets and its corresponding lease obligations have been recognised as liabilities based on the accounting policy set out in note 1(h).

For the year ended 31 March 2006, contingent rentals incurred by the Group in respect of the leases of land from the Government of Cambodia amounted to $432,000 (2005: $264,000). Except for these, none of the leases of the Group includes contingent rentals.

13 FIXED ASSETS *(Continued)*

(b) An analysis of net book value of the properties is as follows: *(Continued)*

In addition, pursuant to lease agreements dated 26 July 2000, the Company's subsidiaries in Cambodia leased another two parcels of land in Cambodia for a period of 70 years beginning in July 2000 with an option to renew, at an aggregate consideration of $58,964,000. Such consideration was determined based on the purchase price borne by the lessor which approximated the open market value.

In respect of the Group's properties in the PRC, other than Hong Kong, the Group has been granted the right to use the land by the relevant PRC authorities for a period of 50 years, which expires in April 2044.

(c) Fixed assets held under finance leases

In addition to the leasehold land and buildings classified as being held under finance leases in note (b) above, the Group leases production plant and machinery and equipment under finance leases expiring from one to two years. In accordance with the relevant lease agreements, the Group has the option to purchase the leased assets at a price deemed to be a bargain purchase option at the end of the lease term.

As at 31 March 2006, the net book value of plant and machinery and equipment held under finance leases were as follows:

	The Group	
	2006	2005
	$'000	*$'000*
Plant and machinery	**24,149**	41,852
Furniture, fixtures and office equipment	**344**	–
	24,493	41,852

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	$'000	*$'000*
Unlisted shares, at cost	**228,300**	228,300

All of these are subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements:

Name of company	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Ever Century Holdings Limited	British Virgin Islands/ Hong Kong	700 ordinary shares of US$1 each	100	–	Investment holding
Tack Fat Swimwear Manufacturing Limited ("Tack Fat Swimwear")	Hong Kong	1,000 non-voting deferred shares of $10,000 each 2 ordinary shares of $10,000 each	–	100	Manufacturing and sale of garments
Tack Fat Manufacturing Factory Limited	Hong Kong	2 ordinary shares of $10 each	–	100	Trading of fabric and other materials
Chiu Wing Enterprise Company Limited	Hong Kong	3,000 non-voting deferred shares of $1,000 each 2 ordinary shares of $1,000 each	–	100	Property holding

(Expressed in Hong Kong dollars)

14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Luoding Hua Tian Long Garment Ltd. *(note (i))*	PRC	US$2,466,782	–	100	Manufacturing of garments
Tack Fat Garment (Cambodia) Ltd. *(note (ii))*	Cambodia	Registered capital of US$3,000,000	–	100	Manufacturing of garments
Cambodia Sportswear Mfg. Ltd. *(note (ii))*	Cambodia	Registered capital of US$2,400,000	–	100	Manufacturing of garments
Supertex Limited *(note (ii))*	Cambodia	Registered capital of US$250,000	–	100	Manufacturing of garments
Tack Fat International Holdings Limited	Hong Kong	10,000 non-voting deferred shares of $1 each 2 ordinary shares of $1 each	–	100	Investment holding
Lantern Services Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Potter Industries Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Blue Cat Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	–	100	Dormant

(Expressed in Hong Kong dollars)

14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Newest Global Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	–	100	Investment holding
Sino Profit Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	–	100	Sale of garments
Global Far East (Macao Commercial Offshore) Limited	Macau	Registered capital of MOP100,000	–	100	Sale of garments
Zhongshan Sing Long Garment Limited *(note (i))*	PRC	US$1,000,000	–	100	Manufacturing of garments
Menlo Dynamics Company Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of $1 each	–	100	Investment holding
Well Fit Intimate Design and Manufacture Limited	Hong Kong	1 ordinary shares of $1 each	–	100	Sale of garments
Well Fit Shenzhen Garment Manufacture Limited *(note (i))*	PRC	HK$2,999,960	–	100	Manufacturing of garments

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are wholly foreign owned limited companies incorporated pursuant to the Law on Investment in the Kingdom of Cambodia and the Law Bearing Upon Commercial Regulation and the Commercial Register.

15 INTEREST IN ASSOCIATES

	The Group	
	2006	2005
	$'000	*$'000*
Share of net assets	**171,334**	–
Goodwill	**261,079**	–
	432,413	–

Pursuant to the sale and purchase agreement dated 26 July 2004 and supplemental agreement dated 22 February 2005, Lung Investment Holding, LLC, an independent third party (the "Vendor") has guaranteed that the aggregate audited consolidated/combined net profits before tax, charges for goodwill, minority interests and any extraordinary or exceptional items of Sino Legend Limited and its subsidiaries for the period from 21 May 2004 to 31 March 2007 will not be less than US$108 million (the "Guaranteed Profit"), and that in the event that there is any fall in the actual amount from the Guaranteed Profit, the Vendor shall compensate the Group in cash an amount equal to 2.95 times of the annualised shortfall attributable to 43.06% shares in Sino Legend Limited.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

			Proportion of ownership interest			
Name of company	**Place of incorporation/ operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Sino Legend Limited	British Virgin Islands	1,000,000 preferred shares of US$0.01 each 200,000 ordinary shares of US$0.01 each	50%	–	50%	Investment holding
Mudd (USA) LLC	United States of America	72,000 Class A units of US$40,000 20,000 Class B units of US$10,000 8,000 Class C units of US$nil paid	36%	–	36%	Design, manufacture and sale of garments

15 INTEREST IN ASSOCIATES *(Continued)*

Summary financial information on associates

	Assets	**Liabilities**	**Equity**	**Revenues**	**Loss**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2006					
100 per cent	747,052	404,384	342,668	621,356	(71,503)
Group's effective interest	373,526	202,192	171,334	310,678	(35,752)

16 OTHER FINANCIAL ASSETS

	The Group	
	2006	2005
	$'000	*$'000*
Premium paid for option to acquire shares *(note (a))*	**78,000**	–
Investment securities – unlisted equity shares, at cost *(note (b))*	**15,000**	41,000
Club debentures	**1,100**	1,100
	94,100	42,100

Notes:

(a) The Group bought an option to acquire an additional 20.8% equity interest in Sino Legend Limited at a cash consideration of $78,000,000 from the Vendor. The option is exercisable during the period from 1 April 2007 to 30 September 2007. Upon exercise of the option, the Group is required to pay to the Vendor a further US$15.65 million (approximately HK$122.1 million) in cash for the acquisition of the 20.8% equity interest.

There is no open market value for the option and it is carried at cost less any impairment loss. The directors of the Company have carried out an assessment of the recoverable amount of the option as at 31 March 2006 and concluded that there has been no impairment loss in the carrying value of the option.

(b) Pursuant to an offer letter dated 29 June 2006, Mr Kwok Wing, a director and principal shareholder of the Company, has agreed to purchase the investment in unlisted equity shares amounting to $15,000,000 from the Group at a cash consideration in the same amount. The offer letter is valid for a period of four months from its date of issue. As of the date of issue of these financial statements, the Group is in the process of evaluating the offer.

17 INVENTORIES

	The Group	
	2006	2005
	$'000	*$'000*
Raw materials	**167,557**	139,519
Work in progress	**52,831**	48,278
Finished goods	**27,681**	26,604
	248,069	214,401

None of the inventories is stated at net realisable value.

18 TRADE AND OTHER RECEIVABLES

	The Group	
	2006	2005
	$'000	*$'000*
Trade receivables *(note (a))*	**491,857**	228,374
Deposits with subcontractors for manufacturing of garments	**33,188**	33,853
Refundable acquisition deposit *(note (b))*	**–**	491,400
Other prepayments and receivables *(note (c))*	**45,814**	60,939
	570,859	814,566

Notes:

(a) As at 31 March 2006, trade receivables included an amount due from Mudd (USA) LLC, a principal associate of the Group of HK$294,233,000 (2005: $72,688,000).

As at 31 March 2006, trade receivables of HK$11,270,000 were secured on certain bill discounting loans.

(b) As at 31 March 2005, the Group placed a refundable deposit of $491,400,000 with the Vendor in connection with the acquisition of an additional equity interest of 43.06% in Sino Legend Limited. In April 2005, the Group applied the deposit in full settlement of the consideration payable to the Vendor in consummation of the acquisition.

(c) The balance at 31 March 2005 and 2006 included a prepayment of $30,000,000 for investment in unlisted equity shares in a joint stock company in the PRC (the "Investee"). The prepayment is to be applied for settlement of an equivalent amount of investment consideration payable by the Company upon the successful completion of a reorganisation of the Investee. The prepayment is refundable in cash in the event that such reorganisation is not complete within certain specific date.

18 TRADE AND OTHER RECEIVABLES *(Continued)*

Credit terms granted by the Group to customers generally range from one to six months. Included in trade receivables are balances (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	2005
	$'000	*$'000*
Within 3 months	**264,673**	228,374
More than 3 months but less than 6 months	**227,184**	–
	491,857	228,374

All the trade and other receivables are expected to be recovered within one year.

The Group's credit policy is set out in note 30(a).

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	$'000	*$'000*
United States Dollars	**USD63,911**	USD91,856
Renminbi	**RMB6,042**	RMB3,240

19 AMOUNTS DUE FROM SUBSIDIARIES

An amount due from subsidiary of $426,269,000 (2005: $428,233,000) is unsecured, bears interest at 2% (2005: 2%) per annum and has no fixed terms of repayment. The remaining balance is unsecured, interest free and has no fixed terms of repayment.

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**132,941**	265,843	**–**	–
Cash at bank and in hand	**43,745**	19,008	**88**	83
Cash and cash equivalents in the balance sheet	**176,686**	284,851	**88**	83
Bank overdrafts *(note 22)*	**(817)**	(5,436)		
Cash and cash equivalents in the cash flow statement	**175,869**	279,415		

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
United States Dollars	**USD19,949**	USD17,200	**USD2**	USD1
Renminbi	**RMB4,984**	RMB4,395	**–**	–

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
Bills payable	**21,768**	11,651	**–**	–
Trade payables	**49,437**	45,375	**–**	–
Accrued expenses and other payables	**11,268**	15,525	**110**	727
	82,473	72,551	**110**	727

21 TRADE AND OTHER PAYABLES *(Continued)*

The credit terms obtained by the Group generally range from 30 to 180 days. Included in trade and bills payables are balances with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	2005
	$'000	*$'000*
Due within 1 month or on demand	**25,722**	33,162
Due after 1 month but within 3 months	**37,207**	16,453
Due after 3 months but within 6 months	**8,276**	7,411
	71,205	57,026

All of the above balances are expected to be settled within one year.

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	$'000	*$'000*
United States Dollars	**USD4,942**	USD3,019
Renminbi	**RMB2,414**	RMB1,781

22 BANK LOANS AND OVERDRAFTS

At 31 March 2006, the bank loans and overdrafts were repayable as follows:

	The Group	
	2006	2005
	$'000	*$'000*
Within 1 year or on demand	**230,954**	369,710
After 1 year but within 2 years	**93,538**	132,000
After 2 years but within 5 years	**381,846**	136,000
	475,384	268,000
	706,338	637,710

22 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31 March 2006, the bank loans and overdrafts were analysed as follows:

	The Group	
	2006	2005
	$'000	*$'000*
Bank overdrafts *(note 20)*	**817**	5,436
Trust receipt loans	**135,741**	158,933
Export finance loans	**56,688**	33,341
Bill discounting loans	**11,270**	–
Term loans	**501,822**	440,000
	706,338	637,710

Included in bank loans and overdrafts are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	$'000	*$'000*
United States Dollars	**USD15,075**	USD19,656

The banking facilities of the Group were secured by corporate guarantees issued by the Company.

Certain banking facilities included financial covenants relating to certain of the Group's balance sheet ratios and minimum shareholding requirements required to be complied with by the Group and certain principal shareholders of the Company respectively, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the convenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). As at 31 March 2006, none of the covenants relating to drawn down facilities was breached (2005: none).

23 CONVERTIBLE BONDS

	The Group and the Company	
	2006	2005
	$'000	*$'000*
Unlisted and unsecured redeemable convertible bonds	**187,776**	234,000

Pursuant to a bond placement agreement dated 13 September 2004, the Company issued US$30,000,000 (approximately $234,000,000) convertible bonds bearing interest at 1% per annum payable in quarters to independent investors on 11 October 2004. The convertible bonds will mature on 12 October 2009. The bonds are convertible into the Company's shares at the conversion price of $1.00 after three months from 11 October 2004 provided that up to a maximum of 50% of the bonds may be converted within the first 12 months from the date of bond issue. Each bondholder has a put option such that the Company shall redeem the bonds upon exercise of the option by the relevant bondholder under the following circumstances: (i) on the third and fifth anniversaries from the date of bond issue; or (ii) if the Company's shares are de-listed or suspended from trading on the SEHK for more than 14 consecutive trading days; or (iii) if there is a change in control of the Company.

As explained in note 2(c), with effect from 1 April 2005, the Group has adopted a new accounting policy for convertible bonds. As a result, the opening balance of convertible bonds as at 1 April 2005 has been reduced by $58,240,000. Comparative amount for 2005 has not been adjusted.

None of the convertible bonds has been converted into ordinary shares up to the date of approval of these financial statements.

24 OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2006, the Group had obligations under finance leases repayable as follows:

	The Group		
	Present value of minimum lease payments *$'000*	**Interest expense relating to future periods** *$'000*	**Total minimum lease payments** *$'000*
As at 31 March 2006			
Within 1 year	10,989	654	11,643
After 1 year but within 2 years	2,641	281	2,922
After 2 years but within 5 years	872	678	1,550
After 5 years	34,223	7,177	41,400
	37,736	8,136	45,872
	48,725	8,790	57,515
As at 31 March 2005			
Within 1 year	17,701	914	18,615
After 1 year but within 2 years	5,538	442	5,980
After 2 years but within 5 years	833	1,054	1,887
After 5 years	34,524	11,409	45,933
	40,895	12,905	53,800
	58,596	13,819	72,415

As at 31 March 2006, certain finance lease obligations amounting to $13,065,000 (2005: $23,365,000) were secured by corporate guarantees issued by the Company.

25 PROVISION FOR LONG SERVICE PAYMENTS

	The Group
	$'000
At 31 March 2005 and 2006	1,800

According to Part VB of the Employment Ordinance ("the Ordinance"), the Group is liable to make long service payments to the employees who have completed the required number of years of service on termination of their employment and where the termination of employment meets the required circumstances as specified in the Ordinance.

At 31 March 2006, a provision of $1,800,000 (2005: $1,800,000) has been made by the Group based on the best estimate of the long service payments that are required to be made to employees in respect of their service to date, less any amounts that would be expected to be met out of the Group's mandatory provident fund contributions.

26 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its eligible employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

In addition, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes organised by the PRC municipal governments. These subsidiaries are required to make contributions at 18% of the relevant PRC employees' salaries to the schemes.

The Group is not required to operate a retirement benefit scheme for its employees in Cambodia.

Save as disclosed above, the Group has no other obligations to make payments in respect of retirement benefits of the employees.

27 EQUITY COMPENSATION BENEFITS

The Company has conditionally adopted a share option scheme on 11 April 2002 under which the directors of the Company may invite any full-time employees, directors (including executive directors, non-executive directors and independent non-executive directors) and part-time employees of the Group, any advisers (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the Group from time to time to take up options to subscribe for shares of the Company.

27 EQUITY COMPENSATION BENEFITS *(Continued)*

The exercise price is determined by the board of directors at its absolute discretion and notified to each option holder but shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the SEHK on the date of grant, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the SEHK for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share on the date of grant. The options may be exercised in accordance with the terms of the share option scheme at any time during a period to be notified by the board of directors to each option holder but may not be exercised after the expiry of ten years from the date of grant. The board of directors may provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one share.

(a) The terms and conditions of the grants that existed are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	**Vesting conditions**	**Contractual life of options**
Options granted to employees:			
On 8 November 2004	68,000,000	Vested on date of grant	3 years
On 24 October 2005	70,000,000	Vested on date of grant	3 years
	138,000,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2006		2005	
	Weighted average exercise price	**Number of options** ***'000***	Weighted average exercise price	Number of options *'000*
Outstanding at the beginning of the period	**$0.74**	**68,000**	$0.465	132,800
Exercise during the period	**–**	**–**	$0.465	(60,000)
Lapse on expiry of exercise period	**–**	**–**	$0.465	(72,800)
Granted during the period	**$0.614**	**70,000**	$0.74	68,000
Outstanding at the end of the period		**138,000**		68,000
Exercisable at the end of the period		**138,000**		68,000

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2005 was $0.68.

(Expressed in Hong Kong dollars)

27 EQUITY COMPENSATION BENEFITS *(Continued)*

(b) The number and weighted average exercise prices of share options are as follows: *(Continued)*

The options outstanding at 31 March 2006 had an exercise price of $0.614 to $0.74 (2005: 0.465 to 0.74) and a weighted average remaining contractual life of 2.1 years (2005: 2.6 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2006
Fair value and assumptions for 70 million share options issued on 24 October 2005:	
Fair value at measurement date	
Share price	$0.58
Exercise price	$0.614
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	32.9%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	1.9 years
Expected dividends	6%
Risk-free interest rate (based on Exchange of Fund Notes)	4.064%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the granted date fair value measurement of the services received. There were no market conditions associated with the share option grants.

No comparative information is presented as the Group has taken advantage of the transitional provisions set out in HKFRS 2.

28 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2006	2005
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**12,879**	8,314
Balance of Profits Tax provisions relating to prior years	**14,605**	–
Provisional Profits Tax paid	**(1,147)**	(4,407)
	26,337	3,907
Taxation outside Hong Kong	**7,507**	441
	33,844	4,348

None of the tax payable is expected to be settled after more than one year.

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

The Group	**Depreciation allowances in excess of related depreciation** *$'000*
Deferred tax arising from:	
At 1 April 2004 (restated)	6,997
Charged to consolidated income statement *(note 6(a))*	593
At 31 March 2005 (restated)	7,590
At 1 April 2005 (restated)	7,590
Exchange adjustments	(62)
Credited to consolidated income statement *(note 6(a))*	(4,772)
At 31 March 2006	2,756

28 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

The Group	2006 $'000	2005 (restated) $'000
Net deferred tax asset recognised on the balance sheet	–	(1,743)
Net deferred tax liability recognised on the balance sheet	2,756	9,333
	2,756	7,590

There were no material unprovided deferred tax assets or liabilities as at 31 March 2006 and 2005.

29 CAPITAL AND RESERVES

(a) The Group

	Share capital $'000	Share premium $'000	Land and buildings revaluation reserve $'000	Capital reserve $'000	Exchange reserve $'000	Contributed surplus $'000	PRC statutory reserve $'000	Retained earnings $'000	Total $'000
At 1 April 2004									
– as previously reported	141,058	37,411	13,350	–	–	6,400	19	344,759	542,997
– prior period adjustments in respect of HKAS 17 *(note 2(b))*	–	–	(13,350)	–	–	–	–	1,272	(12,078)
– as restated	141,058	37,411	–	–	–	6,400	19	346,031	530,919
Dividend approved in respect of previous year *(note 10)*	–	–	–	–	–	–	–	(28,545)	(28,545)
Conversion of convertible bonds	3,434	16,792	–	–	–	–	–	–	20,226
Exercise of share subscription rights	1,174	5,062	–	–	–	–	–	–	6,236
Exercise of share options	6,000	21,900	–	–	–	–	–	–	27,900
Bond issue costs	–	(6,466)	–	–	–	–	–	–	(6,466)
Profit for the year (restated)	–	–	–	–	–	–	–	155,539	155,539
Profit appropriation to reserve funds	–	–	–	–	–	–	21	(21)	–
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	–	(18,134)	(18,134)
At 31 March 2005	151,666	74,699	–	–	–	6,400	40	454,870	687,675

29 CAPITAL AND RESERVES *(Continued)*

(a) The Group *(Continued)*

	Share capital $'000	Share premium $'000	Land and buildings revaluation reserve $'000	Capital reserve $'000	Exchange reserve $'000	Contributed surplus $'000	PRC statutory reserve $'000	Retained earnings $'000	Total $'000
At 1 April 2005									
– as previously reported	151,666	74,699	13,350	–	–	6,400	40	452,778	698,933
– prior period adjustments in respect of HKAS 17 *(note 2(b))*	–	–	(13,350)	–	–	–	–	2,092	(11,258)
– as restated, before opening balance adjustments	151,666	74,699	–	–	–	6,400	40	454,870	687,675
– HKAS 39 *(note 2(c))*	–	6,466	–	56,931	–	–	–	(5,157)	58,240
– as restated, after opening balance adjustments, carried forward	151,666	81,165	–	56,931	–	6,400	40	449,713	745,915
Dividend approved in respect of previous year *(note 10)*	–	–	–	–	–	–	–	(30,333)	(30,333)
Equity settled share-based transactions	–	–	–	5,670	–	–	–	–	5,670
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	2,522	–	–	–	2,522
Profit for the year	–	–	–	–	–	–	–	132,626	132,626
Profit appropriation to reserve funds	–	–	–	–	–	–	34	(34)	–
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	–	(18,200)	(18,200)
At 31 March 2006	151,666	81,165	–	62,601	2,522	6,400	74	533,772	838,200

29 CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Share capital $'000	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Retained earnings $'000	Total $'000
At 1 April 2004	141,058	37,411	–	193,780	3,365	375,614
Dividend approved in respect of the previous year *(note 10)*	–	–	–	–	(28,545)	(28,545)
Conversion of convertible bonds	3,434	16,792	–	–	–	20,226
Exercise of share subscription rights	1,174	5,062	–	–	–	6,236
Exercise of share option	6,000	21,900	–	–	–	27,900
Bonds issue costs	–	(6,466)	–	–	–	(6,466)
Profit for the year	–	–	–	–	47,058	47,058
Dividends declared in respect of the current year *(note 10)*	–	–	–	–	(18,134)	(18,134)
At 31 March 2005	151,666	74,699	–	193,780	3,744	423,889
At 1 April 2005						
– as previously reported, before opening balance adjustments	151,666	74,699	–	193,780	3,744	423,889
– HKAS 39 *(note 2(c))*	–	6,466	56,931	–	(5,157)	58,240
– as restated, after opening balance adjustments, carried forward	151,666	81,165	56,931	193,780	(1,413)	482,129
Dividend approved in respect of the previous year *(note 10)*	–	–	–	–	(30,333)	(30,333)
Equity settled share-based transactions	–	–	5,670	–	–	5,670
Profit for the year	–	–	–	–	54,569	54,569
Dividends declared in respect of the current year *(note 10)*	–	–	–	–	(18,200)	(18,200)
At 31 March 2006	151,666	81,165	62,601	193,780	4,623	493,835

29 CAPITAL AND RESERVES *(Continued)*

(c) Share Capital

	Note	2006 Number of shares	2006 Amount $'000	2005 Number of shares	2005 Amount $'000
Authorised:					
Ordinary shares of $0.1 each	*(i)*	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:					
At 1 April		**1,516,664,000**	**151,666**	1,410,576,000	141,058
Shares issued under share option scheme		–	–	60,000,000	6,000
Conversion of convertible bonds		–	–	34,344,000	3,434
Exercise of share subscription rights		–	–	11,744,000	1,174
At 31 March		**1,516,664,000**	**151,666**	1,516,664,000	151,666

Note:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) Contributed surplus

The contributed surplus represents the difference between the combined net asset value of the subsidiaries acquired pursuant to the reorganisation in April 2002 over the nominal value of the shares of the Company issued in exchange therefore. The application of contributed surplus is the same as the share premium.

29 CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) PRC statutory reserve

In accordance with the relevant PRC laws applicable to enterprises with foreign investment, the Company's subsidiaries in the PRC are required to transfer at least 10% of their annual net profit determined under relevant PRC accounting regulations to the general reserve until the balance of the reserve is equal to 50% of the entities' registered capital. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.

(e) Distributability of reserves

At 31 March 2006, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $279,568,000 (2005: $272,223,000). After the balance sheet date, the directors proposed a final dividend of 1.81 cents per share (2005: 2 cents per share), amounting to $31,569,000 (2005: $30,333,000). This dividend has not been recognised as a liability at the balance sheet date.

30 FINANCIAL INSTRUMENTS

As at 31 March 2006, the Group's financial assets comprise mainly other financial assets, trade and other receivables and cash and cash equivalents. The Group's financial liabilities comprised mainly trade and other payables, convertible bonds and bank borrowings.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due from one to six months from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Most of the Group's cash and cash equivalents are deposited with banks in Hong Kong and the PRC.

At 31 March 2006, the Group had a trade receivable due from an associate, Mudd (USA) LLC of $294,233,000 (2005: $72,688,000). Except for this, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

30 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The Group

	2006					
	Effective interest rate %	**Total *$'000***	**One year or less *$'000***	**1-2 years *$'000***	**2-5 years *$'000***	**More than 5 years *$'000***
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	1.30%	43,745	43,745	–	–	–
Bank overdrafts	8.00%	(817)	(817)	–	–	–
Bank loans	5.24%	(705,521)	(230,137)	(93,538)	(381,846)	–
		(662,593)	(187,209)	(93,538)	(381,846)	–
Maturity dates for assets/ (liabilities) which do not reprice before maturity						
Deposits with banks	3.97%	132,941	132,941	–	–	–
Finance lease obligations	2.24%	(48,725)	(10,989)	(2,641)	(872)	(34,223)
Convertible bonds	7.15%	(187,776)	–	(187,776)	–	–
		(103,560)	121,952	(190,417)	(872)	(34,223)

30 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

Effective interest rates and repricing analysis (Continued)

The Group *(Continued)*

	2005					
	Effective interest rate %	Total *$'000*	One year or less *$'000*	1-2 years *$'000*	2-5 years *$'000*	More than 5 years *$'000*
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	0.33%	19,008	19,008	–	–	–
Bank overdrafts	5.25%	(5,436)	(5,436)	–	–	–
Bank loans	3.28%	(632,274)	(364,274)	(132,000)	(136,000)	–
		(618,702)	(350,702)	(132,000)	(136,000)	–
Maturity dates for assets/ (liabilities) which do not reprice before maturity						
Deposits with banks	2.30%	265,843	265,843	–	–	–
Finance lease obligations	2.21%	(58,596)	(17,701)	(5,538)	(833)	(34,524)
Convertible bonds	1.00%	(234,000)	–	–	(234,000)	–
		(26,753)	248,142	(5,538)	(234,833)	(34,524)

30 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

Effective interest rates and repricing analysis (Continued)

The Company

	2006					
	Effective interest rate %	**Total *$'000***	**One year or less *$'000***	**1-2 years *$'000***	**2-5 years *$'000***	**More than 5 years *$'000***
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	**1.30%**	**88**	**88**	**–**	**–**	**–**
Maturity dates for assets/ (liabilities) which do not reprice before maturity						
Convertible bonds	**7.15%**	**(187,776)**	**–**	**(187,776)**	**–**	**–**

	2005					
	Effective interest rate %	Total *$'000*	One year or less *$'000*	1-2 years *$'000*	2-5 years *$'000*	More than 5 years *$'000*
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	0.23%	83	83	–	–	–
Maturity dates for assets/ (liabilities) which do not reprice before maturity						
Convertible bonds	1.00%	(234,000)	–	–	(234,000)	–

30 FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk

The Group incurs foreign currency risk predominantly on sales to overseas customers and purchases from overseas suppliers which are generally denominated in United States Dollars. The Group also has bank deposits and obtain bank loans which are primarily denominated in United States Dollars. The Group reviews its foreign currency exposures regularly and does not consider its present foreign exchange risk to be significant. However, the Group would consider hedging of its foreign currency exposures when its foreign exchange risk becomes significant.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2006 and 2005.

31 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2006 not provided for in the financial statements were as follows:

	The Group	
	2006	2005
	$'000	*$'000*
Contracted for	**7,578**	7,085
Authorised but not contracted for	**4,550**	–
	12,128	7,085

(b) At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases relating to properties are repayable as follows:

	The Group	
	2006	2005
	$'000	*$'000*
Within 1 year	**3,584**	2,738
After 1 year but within 5 years	**198**	105
	3,782	2,843

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

32 CONTINGENT LIABILITIES

(a) A writ of summons dated 29 February 2000 was filed by a supplier of the Group against Tack Fat Swimwear Manufacturing Limited, a wholly-owned subsidiary of the Company, claiming a sum of US$202,850 (equivalent to $1,582,000) for an alleged breach of the payment terms under certain purchase contracts. Based on the advice obtained from the legal advisers acting for Tack Fat Swimwear, the directors of the Company are of the view that Tack Fat Swimwear has a valid defence and counterclaim against the supplier. Consequently, no provision for such litigation or the associated legal costs has been included in the financial statements.

(b) As at 31 March 2006, the Company issued letters of guarantee in respect of bank facilities totalling $1,366,405,000 (2005: $1,174,405,000) granted to certain wholly-owned subsidiaries of the Company.

33 RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with related parties which in the opinion of the directors of the Company, were carried out on normal commercial terms and in the ordinary course of the business of the Group.

	Note	**2006** **$'000**	2005 $'000
Sales	*(i)*	**412,030**	21,358
Reimbursement of expenses	*(ii)*	**1,725**	–
Warehouse rentals	*(iii)*	**372**	372
Directors' quarters rentals paid to	*(iv)*		
– Jumbo Team		**816**	816
– Granco		**816**	816
Guangzhou office rentals	*(v)*	**490**	490

Notes:

(i) In 2006, the Group made sales of garments totalling $412,030,000 to its principal associate, Mudd (USA) LLC. The selling prices charged by the Group generally represented a mark-up at certain fixed percentages on the purchase prices of garments borne by the Group.

In 2005, pursuant to an exclusive manufacturing agreement dated 25 March 2002 entered into between the Group and Blue Cat Development Limited ("Blue Cat Development") for manufacturing clothing and apparel accessories in relation to the Blue Cat cartoon characters, the Group sold "Blue Cat" apparel to Blue Cat Development totalling $21,358,000. The terms of the sales were similar to that provided by the Group to independent customers. Mr Kwok Wing has a 51% equity interest in Blue Cat Development. The Group did not make any such sales in 2006.

33 RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

(ii) In 2006, the Group received reimbursements for certain procurement charges incurred on behalf of Mudd (USA) LLC.

(iii) The Group entered into lease arrangements with Mr Kwok Wing, a director of the Company, and his mother for leasing of a warehouse. The lease currently in force will expire on 22 October 2006 and the monthly rental payable by the Group under such lease is $31,000, which was determined by reference to open market value.

(iv) The Group had a lease arrangement with Jumbo Team Development Limited ("Jumbo Team") and Granco Enterprises Limited ("Granco") for the provision of directors' quarters to the Group. Both Granco and Jumbo Team are jointly owned by Mr Kwok Wing and his brother. On 8 March 2006, the leases with Granco and Jumbo Team were renewed for a period of one year beginning on 1 April 2006. The monthly rental payable by the Group under each of the new leases is $68,000, which was determined by reference to open market value.

(v) The Group had a lease arrangement with Guangzhou Tack Fat Construction Co., Ltd., a company which is controlled by Mr Kwok Wing and his brother for leasing of an office property in Guangzhou, the PRC. The lease currently in force expires on 26 October 2006 and the monthly rental payable by the Group under such lease is approximately RMB43,000, which was determined by reference to open market value.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2006	2005
	$'000	*$'000*
Short-term employee benefits	**8,299**	7,105
Post-employment benefits	**–**	–
Equity compensation benefits	**2,594**	–
	10,893	7,105

Total remuneration is included in "Staff costs" (note 5).

34 POST BALANCE SHEET EVENTS

(a) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

(b) On 10 April 2006, Efulfilment Enterprises Limited, the controlling shareholder of the Company entered into a placing agreement to place 227,500,000 existing shares of the Company to independent investors at a placing price of $1.03 per share. On the same date, Efulfilment Enterprises Limited entered into a subscription agreement to subscribe for 227,500,000 new shares of the Company at a subscription price of $1.03 per share. The net proceeds from the share subscription of approximately $229 million are intended to be applied by the Group as to approximately $100 million for the expansion of the Group's production capacity in Cambodia, as to approximately $50 million for investment in Mudd retail operations in the PRC and the remaining of approximately $79 million for repayment of debts.

35 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.

36 PARENT AND ULTIMATE HOLDING COMPANY

At 31 March 2006, the directors consider the parent and ultimate controlling party of the Group to be Efulfilment Enterprises Limited, which is incorporated in British Virgin Islands. This entity does not produce financial statements available for public use.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain critical accounting judgements in applying the Group's accounting polices are described below.

(i) Write down of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, historical consumption trends and management judgement. Based on this review, write down of inventories would be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market trend, actual sales may be different from estimation and profit or loss could be affected by the accuracy of this estimation.

(ii) Impairment of goodwill

The Group performs annual review of the recoverable amount of goodwill with reference to net selling price and value in use. Value in use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of goodwill may be different from its actual recoverable amount and profit or loss could be affected by accuracy of the estimations.

(Expressed in Hong Kong dollars)

37 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Provision for income tax

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretations of the relevant tax rules and regulations. The amount of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 March 2006 and which have not been adopted in these financial statements.

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
Amendments to HKAS 19	Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 39	Financial instruments: Recognition and measurement:	
	– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
– HKAS 1	Presentation of financial statements	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006 *(Continued)*

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 April 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Based on the results of the assessment performed by the Group to date, the Group believes that adoption of the following new or amended accounting standards will impact the Group's financial statements for the year ending 31 March 2007, the magnitude of which is being assessed:

– HK(IFRIC) 4	Determining whether an arrangement contains a lease
– Amendments to HKAS 39	Financial instruments: Recognition and measurement: – The fair value option – Financial guarantee contracts

GROUP PROPERTIES

Details of the property interests owned by the Group are as follows:

Location	Existing use	Term of lease
Gan Yuan Luoding City Guangdong Province The People's Republic of China	Industrial	Medium-term
1159 Chak Angre Krom Meanchey District Phnom Penh Cambodia	Industrial	Long-term
1533 Chak Angre Krom Meanchey District Phnom Penh Cambodia	Industrial	Long-term
Unit D on 19/F and Units A to C on 13/F Roxy Industrial Centre 58-66 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong	Industrial	Medium-term

FIVE YEAR SUMMARY

(Expressed in Hong Kong dollars)

	2002	2003	2004	2005	**2006**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
Results	(restated)	(restated)	(restated)	(restated)	
Turnover	710,489	885,031	989,413	1,528,999	**1,655,166**
Profit from operations	114,069	134,131	148,123	194,194	**262,346**
Finance costs	(23,296)	(19,695)	(18,001)	(26,583)	**(63,189)**
Share of profits less losses of associates	–	–	–	–	**(35,752)**
Profit before taxation	90,773	114,436	130,122	167,611	**163,405**
Income tax	(8,392)	(9,636)	(8,386)	(12,072)	**(30,779)**
Profit attributable to equity shareholders of the Company	82,381	104,800	121,736	155,539	**132,626**
Earnings per share					
– Basic *(note 2)*	8.05 cents	8.05 cents	8.82 cents	10.71 cents	**8.74cents**
– Diluted	–	7.92 cents	8.37 cents	9.81 cents	**8.21 cents**
Assets, liabilities and equity					
Fixed assets	243,050	256,801	313,154	348,352	**379,785**
Interest in associates	–	–	–	–	**432,413**
Other non-current assets	10,892	5,973	18,742	43,843	**94,100**
Net current assets	89,611	222,294	644,615	849,508	**637,354**
Total assets less current liabilities	343,553	485,068	976,511	1,241,703	**1,543,652**
Non-current liabilities	(120,201)	(79,127)	(445,592)	(554,028)	**(705,452)**
Net assets	223,352	405,941	530,919	687,675	**838,200**
Share capital	6,600	133,557	141,058	151,666	**151,666**
Reserves	216,752	272,384	389,861	536,009	**686,534**
Total equity	223,352	405,941	530,919	687,675	**838,200**

Notes:

(1) The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on changes in accounting policies resulting from initial application of these new and revised HKFRSs is set out in note 2 to the financial statements. Figures for 2005 have been adjusted for these new and revised policies in accordance with the transitional provisions and as disclosed in note 2. Earlier years have only been restated to the extent that the new accounting policies are adopted retrospectively as disclosed in note 2.

(2) The calculation of earnings per share for the year ended 31 March 2002 is based on the profit attributable to shareholders for the year and on the assumption that 1,024,000,000 shares of the Company were in issue, comprising those shares issued as part of the reorganisation of the Group effected in April 2002.

(3) Hong Kong Statement of Standard Accounting Practice 12 (revised) "Income taxes" was first effective for accounting periods beginning on or after 1 January 2003. In order to comply with this revised statement, the Group adopted a new accounting policy for deferred taxation in 2004. Figures for the year 2003 have been adjusted. However, it is not practicable to restate earlier years for comparison purposes.

(4) In order to comply with Hong Kong Statement of Standard Accounting Practice 34 "Employee benefits", the Group adopted a new accounting policy for employees' benefits in 2003. Figures for the year 2002 have been adjusted.

德 發 集 團 國 際 有 限 公 司
TACK FAT GROUP INTERNATIONAL LIMITED

Address 地址 ： 13/F., Roxy Industrial Centre, 58-66 Tai Lin Pai Road
Kwai Chung, NT., Hong Kong
香港新界葵涌大連排道58-66號樂聲工業中心13樓

Tel 電話 ： (852) 3193 6888

Fax 傳真 ： (852) 2480 1803

E-mail 電郵 ： info@tackfat.com

Website 網址 ： www.tackfat.com