

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

1. GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of knitted fabrics and dyed yarns, the provision of dyeing, bleaching, setting and finishing service.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants which has resulted in the adoption of the following new and revised accounting policies. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the disclosure of statement of changes in equity, but has had no material effects on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the year, which previously adopted by the Group. They are now required to be translated at an average rate.

Cash Flow Statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interests and dividends, which were previously presented under a separate heading, are classified as operating or financing cash flows, as appropriate. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Employee Benefits

SSAP 34 "Employee Benefits" introduces measurement rules for employee benefits, including retirement benefit plans.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income, is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from trading securities is recognised when the Group's right to receive payment has been established.

Property, plant and equipment

Construction in progress

Construction in progress are stated at cost less accumulated impairment losses. No depreciation or amortisation is provided on construction in progress until the construction is completed and the assets are ready for use.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and land use rights	Over the term of the leases or land use rights
Buildings	Over the estimated useful lives of 50 years or the period of the leases or land use rights, if shorter
Plant and machinery	6-10%
Furniture, fixtures and equipment	20%
Motor vehicles	20-30%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the year.

Operating lease

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the relevant lease terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution schemes.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances, and services rendered, by the Group to outside customers during the year.

	2003	2002
	HK\$'000	HK\$'000
The turnover comprises:		
Sale of goods	352,663	330,609
Subcontracting fee income	663	5,423
	<u>353,326</u>	<u>336,032</u>

5. SEGMENTAL INFORMATION

Sales of knitted fabrics and dyed yarns account for more than 90% of the Group's turnover for the year ended 31st March, 2003 and 2002, substantially all of which are made to customers based in Hong Kong and all of the manufacturing operations of the Group are located in the People's Republic of China (the "PRC"). Accordingly, no analysis for the segment information are provided.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

6. PROFIT (LOSS) FROM OPERATIONS

	2003	2002
	HK\$'000	HK\$'000
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Profit (loss) from operations has been arrived at after charging:		
Staff costs including directors' remuneration:		
– Salaries and other benefits	24,768	22,848
– Retirement benefit scheme contributions	608	521
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Total staff costs	25,376	23,369
	<hr/>	<hr/>
Auditors' remuneration	388	422
Depreciation and amortisation:		
Assets owned by the Group	22,500	22,887
Assets held under finance leases	–	220
	<hr/>	<hr/>
	22,500	23,107
	<hr/>	<hr/>
and after crediting:		
Gain on disposal of property, plant and equipment	315	28
Interest income from banks	2,037	937
Realised and unrealised holding (loss) gain on trading securities	(867)	346
Dividend income from trading securities (listed)	397	–
Gain on disposal of a subsidiary (<i>note 25</i>)	1,029	–
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7. FINANCE COSTS

	2003	2002
	HK\$'000	HK\$'000
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Interest on borrowings wholly repayable within five years:		
Bank borrowings	–	1
Obligations under finance leases	–	33
	<hr/>	<hr/>
	–	34
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

8. DIRECTORS' EMOLUMENTS

	2003	2002
	HK\$'000	HK\$'000
Directors' fees:		
Executive directors	-	-
Independent non-executive directors	150	150
Other emoluments (executive directors):		
Salaries and other benefits	5,408	5,494
Retirement benefit scheme contributions	39	43
Total emoluments	<u>5,597</u>	<u>5,687</u>

The emoluments of the directors were within the following bands:

	2003	2002
	Number of	Number of
	directors	directors
Not exceeding HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	4	4

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments in the Group, four (2002: four) are directors of the Company, details of whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining individual were as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other benefits	768	714
Retirement benefit scheme contributions	12	12
	<u>780</u>	<u>726</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

10. TAXATION

	2003	2002
	HK\$'000	HK\$'000
The taxation (credit) charge comprises:		
Hong Kong Profits Tax	(123)	7
Overseas taxation	353	212
	230	219
Deferred taxation		
Current year	769	(1,660)
	999	(1,441)

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 21.

11. DIVIDENDS

	2003	2002
	HK\$'000	HK\$'000
Interim dividend paid of HK1.2 cents, (2002: nil) per share (<i>note</i>)	4,640	–
Proposed final dividend of HK1.3 cents (2002: nil) per share	5,026	–
Proposed special dividend of HK2.0 cents (2002: nil) per share	7,733	–
	17,399	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

11. DIVIDENDS (continued)

The final dividend of HK1.3 cents per share and special dividend of HK2.0 cents per share have been proposed by the directors and is subjected to approval by shareholders in the forthcoming annual general meeting, and therefore these dividends are not yet provided in the financial statements.

Note: The interim dividend per share has been adjusted to HK1.2 cents from the initial declared dividend of HK0.12 cents for the effect of the consolidation of shares as set out in note 22.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2003 HK\$'000	2002 HK\$'000
Net profit (loss) for the year	<u>22,180</u>	<u>(20,303)</u>
Weighted average number of ordinary shares for the purposes of basic earning (loss) per share	386,640,000	186,258,082
Effect of dilutive potential ordinary shares in respect of share options	<u>2,677,243</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earning per share	<u>389,317,243</u>	<u>186,258,082</u>

The weighted average number of ordinary shares for the basic earnings (loss) per share has been adjusted for the effect of the consolidation of shares as set out in note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1st April, 2002	-	18,044	192,622	16,232	13,095	239,993
Additions	6,882	-	21,092	4,416	1,665	34,055
Disposals	-	-	-	-	(3,061)	(3,061)
At 31st March, 2003	6,882	18,044	213,714	20,648	11,699	270,987
DEPRECIATION AND AMORTISATION						
At 1st April, 2002	-	3,036	102,774	8,042	10,071	123,923
Provided for the year	-	361	16,929	3,145	2,065	22,500
Eliminated on disposals	-	-	-	-	(3,061)	(3,061)
At 31st March, 2003	-	3,397	119,703	11,187	9,075	143,362
NET BOOK VALUES						
At 31st March, 2003	6,882	14,647	94,011	9,461	2,624	127,625
At 31st March, 2002	-	15,008	89,848	8,190	3,024	116,070

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of leasehold land and buildings held by the Group as at the balance sheet date comprises:

	2003	2002
	HK\$'000	HK\$'000
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Land and buildings held under:		
Medium-term leases in Hong Kong	2,947	3,019
Medium-term land use rights in the PRC	11,700	11,989
	14,647	15,008

14. INVESTMENTS IN SUBSIDIARIES

	2003 & 2002
	HK\$'000
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Unlisted shares, at cost	84,948

Details of the Company's subsidiaries at 31st March, 2003 are set out in note 31.

15. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
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Share of net assets	-	6,656

At 31st March, 2002, ATX Limited, a wholly-owned subsidiary of the Company, held 40% of the issued share capital of Global Network Holdings Limited ("Global Network") which is an investment holding company incorporated in the British Virgin Islands. During the year, the Group's interest in Global Networks was disposed of as a result of the disposal of ATX Limited (note 25).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

16. INVESTMENTS IN SECURITIES

	THE GROUP						THE COMPANY	
	Trading securities		Other securities		Total		Trading securities	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:								
Listed								
- Hong Kong	4,022	277	-	-	4,022	277	4,022	277
- overseas	20,686	-	-	-	20,686	-	8,658	-
Unlisted	-	-	-	10	-	10	-	-
	<u>24,708</u>	<u>277</u>	<u>-</u>	<u>10</u>	<u>24,708</u>	<u>287</u>	<u>12,680</u>	<u>277</u>
Debt securities:								
Listed								
- overseas	15,619	-	-	-	15,619	-	-	-
	<u>15,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Classified under:								
Current	40,327	277	-	-	40,327	277	12,680	277
Non-current	-	-	-	10	-	10	-	-
	<u>40,327</u>	<u>277</u>	<u>-</u>	<u>10</u>	<u>40,327</u>	<u>287</u>	<u>12,680</u>	<u>277</u>
Market value of listed securities	<u>40,327</u>	<u>277</u>	<u>-</u>	<u>-</u>	<u>40,327</u>	<u>277</u>	<u>12,680</u>	<u>277</u>

17. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	83,129	47,441
Work in progress	25,538	12,287
	<u>108,667</u>	<u>59,728</u>

All inventories were carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of approximately HK\$72,115,000 (2002: HK\$87,599,000).

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	44,970	48,787
61 – 90 days	8,507	13,957
91 – 120 days	6,926	7,788
Over 120 days	11,712	17,067
	<u>72,115</u>	<u>87,599</u>

The credit terms given to the customers vary from cash on delivery to 120 days and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

19. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest free and have no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

20. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of approximately HK\$28,391,000 (2002: HK\$19,910,000).

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
0 – 60 days	23,557	16,550
61 – 90 days	3,886	2,878
Over 90 days	948	482
	28,391	19,910

21. DEFERRED TAXATION

	THE GROUP	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Balance at beginning of the year	4,131	5,791
Charge (credit) for the year (<i>note 10</i>)	769	(1,660)
	4,900	4,131

The components of deferred tax liabilities (assets) at the balance sheet date were as follows:

	THE GROUP	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Tax effect of timing differences arising from:		
Excess of depreciation allowances over accounting depreciation	7,718	10,017
Tax losses available to set off against future assessable profits	(2,818)	(5,886)
	4,900	4,131

There was no significant unprovided deferred taxation for the year or at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

22. SHARE CAPITAL (continued)

The movements in the ordinary share capital for the year ended 31st March, 2003 were as follows:

- Pursuant to a resolution passed by the shareholders of the Company in a special general meeting held on 18th March, 2003, every ten ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one ordinary share of HK\$0.10 each ("Share Consolidation").

Details of the Share Consolidations were set out in the circular of the Company dated 28th February, 2003 and were effective on 19th March, 2003.

The movements in the ordinary share capital for the year ended 31st March, 2002 were as follows:

- Pursuant to resolutions passed in a special general meeting dated 22nd October, 2001, the Company carried out the following capital reorganisation:
 - i. the paid-up capital and nominal value of each issued ordinary shares was reduced from HK\$0.10 to HK\$0.01 ("Capital Reduction");
 - ii. every authorised and unissued share capital was sub-divided into 10 ordinary shares of HK\$0.01 each; and
 - iii. the credit of HK\$144,990,000 arising as a result of the Capital Reduction was applied to eliminate the entire accumulated losses of the Company amounting to HK\$22,338,242 as at 31st March, 2001 and the remaining balance was transferred to the contributed surplus account of the Company.
- Pursuant to a placing agreement dated 16th November, 2001, 181,100,000 existing ordinary shares of HK\$0.01 each were placed to several investors at HK\$0.05 per share by Rayten Limited ("Rayten") and Mr. Li Man Tak ("Mr. Li"), a director of the Company. Pursuant to a subscription agreement on the same date, 294,100,000 and 28,100,000 new ordinary shares of HK\$0.01 each were issued and allotted to Rayten and Mr. Li, respectively, at HK\$0.05 per share. The issue price of HK\$0.05 represented a discount of approximately 9.09% to the closing price of HK\$0.055 per share of the Company quoted on 16th November, 2001. These new shares were issued under the general mandate granted to the Company's directors in the special general meeting on 22nd October, 2001. The proceeds of HK\$16,110,000 was used to repay bank indebtedness and provide general working capital for the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

22. SHARE CAPITAL (continued)

- The Company issued by way of 1,933,200,000 rights shares of HK\$0.01 each in the share capital of the Company (the "Rights Share(s)") on the basis of one Right Share for every issued share held on the close of business on 4th February, 2002 at a subscription price of HK\$0.04 per Right Share payable in full on acceptance. The rights issue was completed on 5th March, 2002 and the Group raised a net amount of approximately HK\$75 million, which has used to upgrade and enhance production facilities, repay bank indebtedness and provide general working capital for the Group.

All the above mentioned new shares rank pari passu with the then existing shares in issue in all respects.

23. SHARE OPTION SCHEMES

The 1997 Scheme

Pursuant to the share option scheme of the Company adopted on 3rd March, 1997 (the "1997 Scheme"), the directors of the Company may grant options to any executive director or employee of the Company or any of its subsidiaries to subscribe for shares in the Company for the primary purpose of providing incentives to directors and eligible employees.

The option to subscribe for 3,000,000 ordinary shares of then HK\$0.10 each in the Company within the exercisable period from 3rd January, 2000 to 31st December, 2002 at exercise price of HK\$0.163 per share, which was granted to an employee, were surrendered during the year ended 31st March, 2002.

The 1997 Scheme was terminated pursuant to an ordinary resolution passed at annual general meeting of the Company held on 23rd August, 2002. There was no outstanding share options on 31st March, 2003 and no share option was granted nor exercised during the period under the 1997 Scheme.

23. SHARE OPTION SCHEME (continued)

The 2002 Scheme

On 28th August, 2002, the Company adopted a new share option scheme (the "2002 Scheme") for the purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time that determined by the board at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "Participants"), to strive for future developments and expansion of the Group. The 2002 Scheme will be ending on 27th August, 2012.

Under the 2002 Scheme, the board of directors of the Company may grant options to Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the Offer Date, which must be a Trading day; and (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share, subject to a maximum of 38,644,000 shares, representing 10% of the issued share capital of the Company as at 31st March, 2003.

The total number of Shares which may be issued and to be issued upon exercise or an exercised and/or outstanding options granted to each Participant shall not in aggregate exceed 1% of the relevant class of securities of the Company in issue in any 12-month period.

An option shall be accepted with 21 days and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

23. SHARE OPTION SCHEME (continued)

The 2002 Scheme (continued)

The following table discloses details of the Company's share options held by employees and movements in such holding during the year:

Date of grant	Exercise period	Exercise price per share HK\$ (Note)	Number of share options		
			Granted	Cancelled	At 31.3.2003
2nd November, 2002	2nd November, 2002 to 1st November, 2012	0.51	<u>23,198,400</u>	<u>(3,866,400)</u>	<u>19,332,000</u>

Note: Following the Share Consolidation of the Company, the exercise price of the share options were adjusted to HK\$0.51 from their initial exercise price of HK\$0.051.

The closing price of the Company's shares immediately before 2nd November, 2002, the date of grant of the options was HK\$0.47.

No share options were granted to any directors during the year.

Total consideration received during the year from employees for taking up options granted amounted to HK\$6.

No charge is recognised in the income statement in respect of the value of options granted during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

24. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
Balance at 1st April, 2001	61,449	30,748	(22,338)	69,859
Arising from Capital Reduction	-	122,652	22,338	144,990
Premium arising from issue of shares	70,884	-	-	70,884
Expenses incurred in connection with issue of shares	(2,673)	-	-	(2,673)
Net loss for the year	-	-	(20,079)	(20,079)
Balance at 1st April, 2002	129,660	153,400	(20,079)	262,981
Interim dividend paid	-	-	(4,640)	(4,640)
Net profit for the year	-	-	34,976	34,976
Balance at 31st March, 2003	129,660	153,400	10,257	293,317

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous group reorganisation less amounts utilized on bonus issue of shares plus the credit arising from the Capital Reduction as set out in note 22.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

24. RESERVES (continued)

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date consisted of:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Contributed surplus	153,400	153,400
Accumulated losses	10,257	(20,079)
	<u>163,657</u>	<u>133,321</u>

25. DISPOSAL OF A SUBSIDIARY

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets disposed of:		
Interest in an associate	6,661	-
Investments in securities	10	-
	<u>6,671</u>	-
Gain on disposal of a subsidiary	1,029	-
	<u>7,700</u>	-
Satisfied by:		
Cash received	670	-
Other receivables	7,030	-
	<u>7,700</u>	-
Net cash inflow arising from disposal:		
Cash consideration	<u>670</u>	-

The subsidiary disposed of during the year ended 31st March, 2003 had no significant impact on the cash flow, turnover and results of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

26. CONTINGENT LIABILITIES

The Company has given corporate guarantees to banks to secure general credit facilities granted to certain of its subsidiaries at 31st March, 2003 and 2002.

The extent of such facilities utilised by the subsidiaries at 31st March, 2003 amounted to approximately HK\$23,850,000 (2002: HK\$21,867,000).

27. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK\$2,495,000 (2002: HK\$2,558,000) have been pledged to banks as security for general banking facilities granted to the Group.

28. CAPITAL COMMITMENTS

At 31st March, 2003, the Group had capital expenditures of approximately HK\$5,928,000 (2002: Nil) in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

At 31st March, 2002 and 2003, the Company had no significant capital commitment.

29. OPERATING LEASE COMMITMENTS

The Group made minimum lease payments of approximately HK\$1,477,000 (2002: HK\$1,234,000) under operating lease during the year in respect of rented premises.

At the balance sheet date, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2003	2002
	HK\$'000	HK\$'000
Within one year	1,503	1,219
In the second to fifth year inclusive	3,477	3,772
Over five years	2,869	2,718
	7,849	7,709

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

29. OPERATING LEASE COMMITMENTS (continued)

Operating lease payments represents rentals payable by the Group for certain of its office and factory premises. Leases of factory premises are negotiated for an average term of 30 years. The yearly rentals are fixed for first 10-year period and will be escalated by 10% for every 10-year period thereafter. Leases of office premises are negotiated for an average term of 1 to 2 years with fixed rentals.

The Company had no operating lease commitments at the balance sheet date.

30. RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and employees contribute a defined percentage of relevant payroll costs to the scheme respectively.

The employees of the PRC subsidiary of the Group are members of a state-managed retirement benefit schemes operated by the PRC government. The subsidiary is required to contribute a fixed percentage of its qualifying staff's wages to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions.

31. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March, 2003 were as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company (Note 1)	Principal activities
Kwong Hing Knitting Fabric Trading Co. Limited	Hong Kong	HK\$1,000,000	100%	Manufacture and sale of knitted fabrics and dyed yarns
Kwong Tai Dyeing Co. Limited	Hong Kong	HK\$3,000,000	100%	Inactive
Nanghai Hengxing Dyeing Co., Ltd. ("Hengxing")	PRC	(Note 2)	100%	Provision of dyeing, bleaching, setting and finishing services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

31. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company <i>(Note 1)</i>	Principal activities
Real Honour Enterprises Limited	British Virgin Islands/ PRC	US\$2	100%	Investment holding, provision of dyeing, bleaching, setting and finishing services and provision of marketing services
Point Harvest Limited	Hong Kong	HK\$2	100%	Inactive
Sinoplex Limited ("Sinoplex")	British Virgin Islands	US\$75	100%	Investment holding
Unite Might Investment Limited	Hong Kong	HK\$500,000	100%	Provision of administration services

Notes:

1. The Company directly held the interests in Sinoplex. All the interests shown above are indirectly held.
2. The capital contributed by the Group which has been verified amounted to approximately HK\$90,224,000.

This is a PRC wholly foreign-owned enterprise.

None of the subsidiaries had any debt securities capital outstanding at the end of the year or at any time during the year.