KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)

Annual Report 2006-2007

Contents

Corporate Information

DIRECTORS

Executive Directors

Li Man Ching *(Chairman)*

Li Mei Lin *(Deputy Chairman and Chief Executive Officer)*

Li Man Shun

Fung Chi Ki

Independent Non-Executive Directors

Tsui Wing Yin

So Kin Wah

Mr. Lee Pui Shing *(appointed on 25th September, 2006)*

Lau Chung Man, Louis *(resigned on 31st August, 2006)*

COMPANY SECRETARY

Fung Chi Ki

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units C-D, 8th Floor
Mai Shun Industrial Building
18-24 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
35th Floor
One Pacific Place
88 Queensway
Hong Kong

SOLICITORS

Michael Li & Co
14/F, Printing House
6 Duddell Street, Central
Hong Kong

PRINCIPAL SHARE REGISTERS

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Wing Hang Bank Ltd.

Banco Weng Hang, S.A.

Dear Shareholders,

I announce the audited consolidated financial results of Kwong Hing International Holdings (Bermuda) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2007.

RESULTS

For the year ended 31st March, 2007, the Group recorded a turnover of approximately HK$324,336,000 representing a decrease 20.00% compared to that of last year, and gross profit is only approximately HK$7,360,000 which represented decrease of approximately 59.00% compared to that of last year. Consequently, the Group recorded a net loss of approximately HK$21,556,000 for the year.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31st March, 2007.

BUSINESS REVIEW

In 2006, the quota system has been re-instated after mutual agreement by both US and Chinese Governments which has given an adverse impact to the Group's business in the year under review, as US provide a major market to the Group's customers. As a result, the turnover of manufactures and sales of knitted fabric and dyed yarns including inter-segment sales has dropped to approximately HK$320,300,000 representing a decrease of 19.10% as compared to that of last year. The production costs has increased markedly because of rise in price of dyed material, coal and electricity, and salary and wages in China. Together with a provision of approximately HK$2,090,000 for the inventories damaged by Typhoon Prapiroon in August, 2006, the Group has recorded a net operating loss of approximately HK$15,645,000 in this segment. Manufacture and sales of garment sustained a loss of HK$3,167,000 for the year. In September 2006, the Group decided to discontinue its operation in the segment of manufacture and sales of garment in view of unsatisfactory performance. Certain properties, plants and equipments have been disposed to an independent party, and an impairment loss of approximately HK$2,744,000 has been recorded, as a result, the Group reported a total losses of HK$5,911,000 in this segment.

BUSINESS REVIEW (continued)

During the year, management has focused on controlling its operating costs and enhancing its competitive advantage. Under the extreme competitive environment, the Group managed to control other production costs and overhead expenses reasonably well. The Group has also continued its prudent and conservative credit policy towards customers, and has monitored closely its inventory level as well as production requirements. These measures have enabled the Group to maintain a healthy cash level.

During the year, the Group invested approximately HK$7,820,000 in property, plant and equipment to upgrade its factory and production facilities as to increase its productivity and to enhance its production quality. Together with the capital investments in previous years, the Group is able to satisfy its demands of its product at better economies of scales.

PROSPECTS

Looking forward, the high production costs resulting from price increase in dyed material, coal and electricity, and salary and wages in China will continue to affect the Group's performance. The board believes that the business environment in the coming year is expected to be highly competitive and more challenging. The Group will continue to take appropriate cost control measures, rationalizing its operations, applying prudent credit policy for its customers and improving product quality in order to achieve improved return for its shareholders.

In the market front, the Group will strive to expand into the Asian and the PRC markets so as to broaden the Group's customer base and to reduce reliance on the US market.

On 16th July, 2007, the Company has entered into two agreements with Emperor Securities Limited, pursuant to which, the Company will issue 38,000,000 unlisted warrants at the price of HK$0.10 each, the subscription price of the warrant is HK$1.06 per subscription share. Details of this transaction were disclosed on the announcement dated 18th July, 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2007, the Group's shareholders' equity amounted to HK$360,969,000, while total indebtedness to financial institutes amounted to approximately HK$4,459,000, and cash on hand amount to approximately HK$108,329,000. The Group's financial institutes' indebtedness to equity ratio is only 0.01. Current ratio is 7.1. The Board believes that the Group's sound and healthy financial position will enable it to finance its operation and explore other business development opportunities.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 31st March, 2007, the Group hold a long-term high graded securities investments of approximately HK$15,600,000 including HK$7,800,000 being pledged to a bank as security for general banking facilities granted to the Group.

The Groups' assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars, the exchange rate between them are relative stable, and therefore the Group's exposure to currency exchange risk was minimal.

PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's buildings with an aggregate net book value of approximately HK$2,247,000, held-to-maturity investment of approximately HK$7,800,000 and bank deposit of HK$4,000,000 were pledged to banks as security for general banking facilities granted to the Group.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the year, sales to the five largest customers amounted to approximately 28.0% of the Group's total sales for the year, in which the sales to the largest customer represented approximately 7.1% of the total sales for the year.

Purchases from the five largest suppliers amounted to approximately 36.6% of the total purchases for the year while total purchases from the largest supplier represented approximately 13.5% of the total purchases for the year.

To the best knowledge of the Directors, and save as disclosed above, none of the Directors, their associates or any shareholder who owned more than 5% of the Company's share capital had any interest in any of the Group's five largest customers and suppliers during the year.

Chairman's Statement

APPRECIATION

For and on behalf of the Board, I would like to express my sincere gratitude to our management and staff, as well as our shareholders, customers and suppliers, for their commitments and support extended to the Group in the past year.

Chairman

Hong Kong, 20th July, 2007

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Li Man Ching, aged 48, is the Chairman of the Company and a co-founder of the Group. He is responsible for the business development and policy making of the Group, with primary focus on overseas marketing and sales promotion. He has over 20 years' experience in the textiles industry in the areas of sales and production.

Ms. Li Mei Lin, aged 47, is the Deputy Chairman of the Company and a co-founder of the Group. She is responsible for the administration and management of the Group. She has over ten years' experience in the textiles industry. Ms. Li Mei Lin is the younger sister of Mr. Li Man Ching.

Mr. Li Man Shun, aged 43, is a co-founder of the Group. He is responsible for the production facilities in the PRC, overseeing both the dyeing and the knitting operation. He has over 15 years' experience in the textiles industry in the area of production. Mr. Li Man Shun a younger brother of Mr. Li Man Ching.

Mr. Fung Chi Ki, aged 44, is the Group's chief financial officer and company secretary of the Company. He is fellow member of the Hong Kong Certified Public Accountants and a fellow of the Chartered Institute of Management Accountant. He has over thirteen years' experience in accounting and finance before he joined the Group in July 1998.

Independent Non-executive Directors

Mr. Tsui Wing Yin, aged 46, is a solicitor in Hong Kong. He graduated from the University of Essex in the United Kingdom with a Bachelor of Laws degree with honours. He has over fourteen years' legal experience in Hong Kong.

Mr. So Kin Wah, age 48, holds a master degree in science in construction project management from The University of Hong Kong, and is member of Royal Institution of Chartered Surveyors, The Hong Kong Institute of Surveyors, the Chartered Institute of Building, and The Chartered Institute of Arbitrators.

Mr. Lee Pui Shing, aged 43, is a senior finance manager of a financial manager of a financial institution in Hong Kong. Mr. Lee is a Chartered Accountant and holds a Bachelor's degree in Commerce from University of Otago in New Zealand. He is a member of New Zealand Institute of Chartered Accountants, a fellow member of Hong Kong Institute of Certified Public Accountants, and possesses extensive experience in corporate management, accounting and finance. Mr. Lee did not hold any directorship in other listed companies in the past.

DIRECTORS AND SENIOR MANAGEMENT (continued)

Management

Mr. Kwan Chui Shui, aged 35, is the general sales manager of the Group. He has over ten years' experience in the textiles industry and is responsible for the purchasing function and dyeing operation of the Group. He joined the Group in 1991 when it was established.

Mr. Tse Chi Sing, aged 47, is the production manager responsible for the fabric setting operations at the Group's production facilities in the PRC. He has over 16 years' experience in fabric setting. He joined the Group in April 2001.

Mr. Leung Ho Yin, aged 48, is the production manager responsible for yarn dyeing at the Group production facilities in the PRC. He has over 16 years' experience in this field. He joined the Group in November 2002.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st March, 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of knitted fabrics and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services. The Group was also involved in the operation of manufacture and sale of garment products, which have been discontinued during the year.

RESULTS

The results of the Group for the year ended 31st March, 2007 are set out in the consolidated income statement on page 21 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2007 comprised the contributed surplus of HK$153,400,000 (2006: HK$153,400,000) and retained profits of HK$8,779,000 (2006: HK$8,810,000).

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 accounts.

DIRECTORS

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

Executive directors:

Mr. Li Man Ching *(Chairman)*

Ms. Li Mei Lin *(Deputy Chairman and Chief Executive Officer)*

Mr. Li Man Shun

Mr. Fung Chi Ki

Independent non-executive directors:

Mr. Tsui Wing Yin

Mr. So Kin Wah

Mr. Lee Pui Shing	*(appointed on 25th September, 2006)*
Mr. Lau Chung Man, Louis	*(resigned on 31st August, 2006)*

In accordance with Articles 101 and 110(A) of the Company's Bye-laws, Mr. Fung Chi Ki, Mr. So Kin Wah and Mr. Lee Pui Shing shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The term of office for certain independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

Mr. Fung Chi Ki, Mr. So Kin Wah and Mr. Lee Pui Shing have entered into service contracts with the Company for the term commencing from 1st March, 2004, 1st March, 1999 and 25th September, 2006, respectively. All their appointments shall continue thereafter, subject to termination by either party giving at least three months' prior notice to the other party.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2007, the interests of the directors, the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position

Name of director	Number of ordinary shares: Personal interests	Number of ordinary shares: Other interests *(note)*	Interest in underlying shares pursuant to share option	Aggregated interest	Percentage of the issued share capital of the Company
Ms. Li Mei Lin	–	164,628,000	–	164,628,000	42.9%
Mr. Li Man Shun	–	164,628,000	–	164,628,000	42.9%
Mr. Fung Chi Ki	–	–	1,933,200	1,933,200	0.5%

Note: Ms. Li Mei Lin and Mr. Li Man Shun beneficially own 30,600 shares and 29,700 shares, respectively, in Rayten Limited, representing, 34% and 33%, respectively, of the issued share capital of Rayten Limited, which in turn owns 164,628,000 shares of HK$0.10 each in the Company.

Other than disclosed above, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 31st March, 2007.

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

During the year, the Company had purchased 4,810,000 Company's shares on the Stock Exchange, details of which are as follows:

Date of repurchase	Number of shares repurchased	Purchase price per share: Highest price *HK$*	Purchase price per share: Lowest price *HK$*	Total consideration *HK$*
25th May, 2006	230,000	0.231	0.231	53,130
29th May, 2006	500,000	0.240	0.240	120,000
1st June, 2006	1,800,000	0.241	0.240	432,000
2nd June, 2006	1,280,000	0.240	0.240	307,200
5th June, 2006	1,000,000	0.240	0.240	240,000
	4,810,000			1,152,330

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings described in note 24 to the consolidated financial statements, at no time during the year was the Company nor any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO discloses no person as having a notifiable interests or short positions in the issued capital of the Company as at 31st March, 2007.

SHARE OPTION SCHEME

Details of the Company's share options scheme are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2007 with the Code on Corporate Government Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the deviation from code provision of A.4.1, pursuant to which, non-executive directors should be appointed for a specific term and subject to re-election. Certain Company's independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation under the Company's Bye-laws, so that every independent non-executive directors shall retire at least once every three years.

The Company has adopted the Model Code in Appendix 10 of the Listing Rules on the Stock Exchange as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

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

EMOLUMENT POLICY

As at 31st March, 2007, the Group had approximately 1060 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company are reviewed and recommended by the Remuneration Committee, and decided by the board of directors, as authorised by the shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the option holders to participate and contribute the growth of the Group, details of the scheme is set out in note 24 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2007.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

CHAIRMAN

Hong Kong, 20th July, 2007

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2007 with the Code on Corporate Government Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the deviation from code provision of A.4.1, pursuant to which, non-executive directors should be appointed for a specific term and subject to re-election. Certain Company's independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation under the Company's Bye-laws, so that every independent non-executive directors shall retire at least once every three years.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules on the Stock Exchange as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

THE BOARD OF DIRECTORS

The board (the "Board") of directors (the "Directors") of the Company assumes responsibility for the management of the Group's affairs, and concentrates on matters affecting the Group's overall strategic policies, finances, shareholder interests and corporate governance. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

The Board comprises seven Directors including four executive Directors and three independent non-executive Directors.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent. Each of the independent non-executive Directors has professional, financial or accounting qualifications.

Corporate Governance Report

The Directors of the Group during the year and up to the date of this report were:

Executive Directors:
Mr. Li Man Ching *(Chairman)*
Ms. Li Mei Lin *(Deputy Chairman and Chief Executive Officer)*
Mr. Li Man Shun
Mr. Fung Chi Ki

Independent non-executive Directors:
Mr. Tsui Wing Yin
Mr. So Kin Wah
Mr. Lee Pui Shing (appointed on 25th September 2006)
Mr. Lau Chung Man, Louis (resigned on 31st August 2006)

The biographical details of the Directors are set out on page 7 of this annual report.

The Board had met six times this year to review the financial performance of the Group, major issues and also on the other occasions when the board decision were required. The views of directors were actively solicited if they were unable to attend the meeting of the Board, and the table below sets out the attendance record of each Director:

Name of Directors	**Attendance**
Executive Directors	
Mr. Li Man Ching *(Chairman)*	5/6
Ms. Li Mei Lin *(Deputy Chairman and Chief Executive Officer)*	6/6
Mr. Li Man Shun	6/6
Mr. Fung Chi Ki	6/6
Independent non-executive Directors	
Mr. Tsui Wing Yin	3/6
Mr. So Kin Wah	5/6
Mr. Lee Pui Shing (appinted on 25th September 2006)	4/4
Mr. Lau Chung Man, Louis (resigned on 31st August 2006)	1/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the Chief Executive Officer bears executive responsibility for the Group's business, the management of the day-to-day operations of the Group.

AUDIT COMMITTEE

The Company had established a audit committee whose terms of reference was formulated in accordance with the requirements of the Stock Exchange and its current members comprise of:

Tsui Wing Yin
So Kin Wah
Lee Pui Shing (appointed on 25th September 2006)
Lau Chung Man, Louis (resigned on 31st August 2006)

All the members of the audit committee are independent non-executive directors. The composition and members of the audit committee complies with the requirements of the listing Rule 3.21.

The Audit Committee's primary responsibilities include reviewing the reporting of financial and other information to shareholders, the system of the internal controls, risk management and the effectiveness and objectivity of the audit process. The audit committee had met three time this years, and all the members had attended the meeting.

REMUNERATION COMMITTEE

The remuneration committee was established in 2005 with specific terms of reference which deal clearly with its authority and duties, the current members include Mr. Lau Chung Man, Louis (resigned on 31st August 2006), Mr. Lee Pui Shing (appointed on 25th September 2006), the chairman, Mr. So Kin Wah and Ms Li Mei Lin. The remuneration committee had met once this year to review the directors' remuneration and give its recommendation to the board for consideration. All members of the committee had attended the meeting.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new Directors has been delegated to the Chairman and other executive Directors. They reviewed regularly the need to appoint additional Directors with appropriate professional knowledge and industry experience. The Board will then consider the appointment of the candidates nominated by them as Directors. During the year, Mr. Lee Pui Shing was nominated as independent non-executive director.

AUDITORS' REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu. They are primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the year, the audit fee including fee for interim review charge to the accounts this year is HK$1,050,000. Deloitte Touche Tohmatsu are also the tax advisers of the Group, the services charges for the year is HK$282,000.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Report of the Auditor on page 19 to page 20 of this annual report.

During the year, the Board has reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control aspects of any significant problems were noted. The board was satisfied that the internal system of the Group has been functioned effectively during the review year.

Deloitte.
德勤

TO THE MEMBERS OF
KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED
廣興國際控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kwong Hing International Holdings (Bermuda) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 67, which comprise the consolidated balance sheet as at 31st March, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20th July, 2007

Consolidated Income Statement

	NOTES	2007 HK$'000	2006 HK$'000
Continuing operation			
Revenue	5	319,624	388,711
Cost of sales		(310,833)	(369,434)
Gross profit		8,791	19,277
Other income		4,394	2,976
Distribution and selling expenses		(7,009)	(10,489)
Administrative expenses		(23,508)	(24,257)
Finance costs	7	(276)	(758)
Loss before taxation		(17,608)	(13,251)
Income tax credit	8	1,963	2,818
Loss for the year from continuing operation		(15,645)	(10,433)
Discontinued operation	25		
Loss for the year from discontinued operation		(5,911)	(4,566)
Loss for the year	9	(21,556)	(14,999)
Attributable to:			
Equity holders of the Company		(21,556)	(14,662)
Minority interests		–	(337)
		(21,556)	(14,999)
Loss per share	11		
From continuing and discontinued operations:			
–Basic		5.6 HK cents	3.8 HK cents
From continuing operation:			
–Basic		4.1 HK cents	2.6 HK cents

Consolidated Balance Sheet

At 31st March, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	12	107,819	127,166
Prepaid lease payments	13	2,042	2,100
Held-to-maturity investments	14	15,600	15,600
		125,461	144,866
Current assets			
Inventories	15	108,208	141,356
Trade and other receivables	16	48,986	75,868
Bills receivable	16	2,405	1,538
Prepaid lease payments	13	58	58
Held-for-trading investments	18	5,167	–
Derivative financial instruments	19	1,203	–
Pledged bank deposit	17 & 27	4,000	4,000
Bank balances and cash	17	104,239	74,409
		274,266	297,229
Current liabilities			
Trade and other payables	20	30,360	37,368
Bills payable – secured	20	1,989	14,134
Taxation payable		3,464	3,374
Obligations under finance leases			
– due within one year	21	2,336	3,085
Derivative financial instruments	19	475	–
		38,624	57,961
Net current assets		235,642	239,268
Total assets less current liabilities		361,103	384,134
Non-current liabilities			
Obligations under finance leases – due after one year	21	134	2,467
Deferred tax liabilities	22	–	2,093
		134	4,560
		360,969	379,574

Consolidated Balance Sheet

	NOTE	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	23	38,376	38,857
Reserves		322,593	340,717
		360,969	379,574

The consolidated financial statements on pages 21 to 67 were approved and authorised for issue by the Board of Directors on 20th July, 2007 and are signed on its behalf by:

CHAIRMAN

DEPUTY CHAIRMAN & CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2007

	Attributable equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 2005	38,857	130,452	122,652	(278)	101,492	393,175	337	393,512
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	1,061	–	1,061	–	1,061
Loss for the year	–	–	–	–	(14,662)	(14,662)	(337)	(14,999)
Total recognised income and expense for the year	–	–	–	1,061	(14,662)	(13,601)	(337)	(13,938)
At 31st March, 2006	38,857	130,452	122,652	783	86,830	379,574	–	379,574
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	4,103	–	4,103	–	4,103
Loss for the year	–	–	–	–	(21,556)	(21,556)	–	(21,556)
Total recognised income and expense for the year	–	–	–	4,103	(21,556)	(17,453)	–	(17,453)
Shares repurchased	(481)	(671)	–	–	–	(1,152)	–	(1,152)
At 31st March, 2007	38,376	129,781	122,652	4,886	65,274	360,969	–	360,969

The contributed surplus of the Group represents the credit arising from a previous capital reduction exercise.

Consolidated Cash Flow Statement

	2007 *HK$'000*	2006 *HK$'000*
OPERATING ACTIVITIES		
Loss before taxation from continuing and discontinued operations	(23,519)	(17,817)
Adjustments for:		
Depreciation of property, plant and equipment	23,848	25,254
Finance costs	276	758
Gain on fair value changes on derivative financial instruments	(728)	–
Gain on fair value changes on held-for-trading investments	(845)	–
Impairment loss on inventories	2,090	–
Impairment loss on trade and other receivables	803	166
Interest income	(2,697)	(1,213)
Loss (gain) on disposal of property, plant and equipment	2,850	(1,236)
Release of prepaid lease payments	58	58
Operating cash flows before movements in working capital	2,136	5,970
Decrease in inventories	31,058	26,974
Decrease in trade and other receivables	26,079	23,053
Increase in held-for-trading investments	(4,214)	–
Increase in bills receivable	(867)	(371)
Decrease in trade and other payables	(7,008)	(11,837)
Decrease in bills payable	(12,145)	(1,798)
Cash generated from operations	35,039	41,991
Income taxes paid	(40)	(5)
Interest paid	(276)	(758)
NET CASH FROM OPERATING ACTIVITIES	34,723	41,228
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,820)	(4,468)
Proceeds on disposal of property, plant and equipment	3,795	1,527
Interest received	2,697	1,213
NET CASH USED IN INVESTING ACTIVITIES	(1,328)	(1,728)

	2007 *HK$'000*	2006 *HK$'000*
FINANCING ACTIVITIES		
Repayments of obligations under finance leases	(3,082)	(2,816)
Cash paid for the repurchase of shares	(1,152)	–
CASH USED IN FINANCING ACTIVITIES	(4,234)	(2,816)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,161	36,684
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	74,409	38,132
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	669	(407)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	104,239	74,409

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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

The Company is an investment holding company. The principal activities of the Group are the manufacturing and sale of knitted fabrics and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services. The Group was also involved in the manufacturing and trading of garment products. That operation was discontinued during the year (see note 25).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006 or 31st March, 2006. The adoption of these new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 23 (Revised)	Borrowing Costs [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC) – Int 8	Scope of HKFRS 2 [3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions [6]
HK(IFRIC) – Int 12	Service Concession Arrangements [7]

[1] Effective for annual periods beginning on or after 1st January, 2007

[2] Effective for annual periods beginning on or after 1st January, 2009

[3] Effective for annual periods beginning on or after 1st May, 2006

[4] Effective for annual periods beginning on or after 1st June, 2006

[5] Effective for annual periods beginning on or after 1st November, 2006

[6] Effective for annual periods beginning on or after 1st March, 2007

[7] Effective for annual periods beginning on or after 1st January, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amount received and receivable for sales of goods in the normal course of business, net of discounts and sales related taxes.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments, which represented payments to acquire leasehold land interest, are stated at cost and released to profit or loss over the period of the lease on a straight-line basis.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the leases or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into three categories, including financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss represent financial assets held for trading. Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposit and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, bills payable and derivative financial instruments are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered services entitling them to the contributions.

Share-based payment transactions

Share options granted to employees of the Group after 1st April, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (the "Share Option Reserve").

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in Share Option Reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in Share Option Reserve will be transferred to retained profits.

Share options granted on or before 7th November, 2002 and granted after 7th November, 2002 but vested before 1st April, 2005

By applying the transitional provision of HKFRS 2 "Share-based Payment", the financial impact of share options granted is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. FINANCIAL INSTRUMENTS

4a. Financial risk management objectives and policies

The Group's major financial instruments include held-to-maturity investments, trade and other receivables, bills receivable, held-for-trading investments, derivative financial instruments, trade and other payables, bills payable, pledged bank deposit and bank balances. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Fair value interest rate risk

The Group is exposed to fair value interest rate risk through the impact of rate changes on interest bearing financial assets. Interest-bearing financial assets are mainly balances with banks which are all short term in nature. Therefore, any further variations in interest rates will not have a significant impact on the results of the Group.

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate finance leases (see note 21 for details of these finance leases). It is the Group's policy to keep its finance leases at floating rate of interests so as to minimise the fair value interest rate risk.

(iii) Price risk

The Group is exposed to equity security price risk through its held-for-trading investments. The management manages this exposure by reviewing the value of the investments regularly.

4. FINANCIAL INSTRUMENTS (continued)

4a. Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk for trade receivables, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The credit risk on held-to-maturity investments is minimal as the cost of investment is guaranteed to be fully repaid by a good credit ranking bank upon their maturity.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

4b. Fair values

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. REVENUE

Revenue represents the aggregate of net amounts received and receivable for goods sold, less returns and allowances to outside customers during the year, for both continuing and discontinued operations, and is analysed as follows:

	Continuing operation		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Manufacture and sale of knitted fabric and dyed yarns	**319,624**	388,711	**–**	–	**319,624**	388,711
Manufacture and sale of garment products	**–**	–	**4,712**	16,636	**4,712**	16,636
	319,624	388,711	**4,712**	16,636	**324,336**	405,347

6. SEGMENT INFORMATION

Business segment

For management purpose, the Group is currently engaged in the manufacturing and sale of knitted fabric and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services. The Group was also involved in the operation of manufacture and sale of garment products, which has been discontinued during the year (see note 25). These activities are the basis on which the Group reports its primary segment information.

6. SEGMENT INFORMATION (continued)

Business segment (continued)

Segment information about these activities is presented below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	Continuing operation	Discontinued operation		
	Manufacture and sale of knitted fabric and dyed yarns	Manufacture and sale of garment products	Eliminated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	319,624	4,712	–	324,336
Inter-segment sales	676	–	(676)	–
Total revenue	320,300	4,712	(676)	324,336
RESULTS				
Segment results	(17,275)	(3,699)		(20,974)
Other income	4,394	532		4,926
Unallocated corporate expenses	(4,451)	(2,744)		(7,195)
Finance costs	(276)	–		(276)
Loss before taxation	(17,608)	(5,911)		(23,519)
Income tax credit	1,963	–		1,963
Loss for the year	(15,645)	(5,911)		(21,556)

* Inter-segment sales were charged at terms determined and agreed between the group companies.

6. SEGMENT INFORMATION (continued)

CONSOLIDATED INCOME STATEMENT (continued)
For the year ended 31st March, 2006

	Continuing operation	Discontinued operation		
	Manufacture and sale of knitted fabric and dyed yarns	Manufacture and sale of garment products	Eliminated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	388,711	16,636	–	405,347
Inter-segment sales	7,000	–	(7,000)	–
Total revenue	395,711	16,636	(7,000)	405,347
RESULTS				
Segment results	(11,194)	(4,693)		(15,887)
Other income	2,976	127		3,103
Unallocated corporate expenses	(4,275)	–		(4,275)
Finance costs	(758)	–		(758)
Loss before taxation	(13,251)	(4,566)		(17,817)
Income tax credit	2,818	–		2,818
Loss for the year	(10,433)	(4,566)		(14,999)

* Inter-segment sales were charged at terms determined and agreed between the group companies.

6. SEGMENT INFORMATION (continued)

CONSOLIDATED BALANCE SHEET
At 31st March, 2007

	Continuing operation	Discontinued operation	
	Manufacture and sale of knitted fabric and dyed yarns	Manufacture and sale of garment products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	274,975	–	274,975
Unallocated corporate assets			124,752
Consolidated total assets			399,727
LIABILITIES			
Segment liabilities	32,117	–	32,117
Unallocated corporate liabilities			6,641
Consolidated total liabilities			38,758

6. SEGMENT INFORMATION (continued)

OTHER INFORMATION

For the year ended 31st March, 2007

	Continuing operation	Discontinued operation	
	Manufacture and sale of knitted fabric and dyed yarns	Manufacture and sale of garment products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital additions	7,398	422	7,820
Depreciation of property, plant and equipment	23,504	344	23,848
Impairment loss on trade and other receivables	803	–	803
Impairment loss on inventories	2,090	–	2,090

CONSOLIDATED BALANCE SHEET

At 31st March, 2006

	Continuing operation	Discontinued operation	
	Manufacture and sale of knitted fabric and dyed yarns	Manufacture and sale of garment products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	338,641	9,445	348,086
Unallocated corporate assets			94,009
Consolidated total assets			442,095
LIABILITIES			
Segment liabilities	49,613	1,889	51,502
Unallocated corporate liabilities			11,019
Consolidated total liabilities			62,521

6. SEGMENT INFORMATION (continued)

OTHER INFORMATION

For the year ended 31st March, 2006

	Continuing operation	Discontinued operation	
	Manufacture and sale of knitted fabric and dyed yarns	Manufacture and sale of garment products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital additions	5,614	1,054	6,668
Depreciation of property, plant and equipment	24,586	668	25,254

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and services, is presented below:

	2007	2006
	HK$'000	*HK$'000*
United States of America (the "USA")	**22,901**	25,994
The People's Republic of China (the "PRC"), including Hong Kong	**301,435**	379,353
	324,336	405,347

Revenue from the Group's discontinued garment operation amounting to HK$4,712,000 during the year ended 31st March, 2007 was derived principally from the PRC (2006: HK$16,636,000).

Substantial amount of the carrying value of segment assets at 31st March, 2007 and 2006 and capital additions for the year ended 31st March, 2007 and 2006 are located in the PRC, including Hong Kong. Accordingly, no analysis of the Group's carrying amount of segment assets and capital additions by geographical area is presented.

7. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank borrowings and trust receipts and import loans, wholly repayable within five years	5	389
Finance leases	271	369
	276	758

8. INCOME TAX CREDIT

	2007 HK$'000	2006 HK$'000
Continuing operation		
Current tax:		
Hong Kong Profits Tax	(108)	–
(Under)overprovision in prior years:		
Hong Kong Profits Tax	(49)	–
Other jurisdictions	27	–
	(130)	–
Deferred taxation *(note 22)*:		
Current year	2,093	2,818
	1,963	2,818

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for the year ended 31st March, 2006 as the Group had incurred a tax loss for that year.

8. INCOME TAX CREDIT (continued)

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The tax credit for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007 *HK$'000*	2006 *HK$'000*
Loss before taxation from continuing and discontinued operations	(23,519)	(17,817)
Tax at the domestic income tax rate of 17.5%	(4,116)	(3,118)
Tax effect of expenses not deductible for tax purpose	3,327	239
Tax effect of income not taxable for tax purpose	(665)	(475)
Tax effect of tax losses not recognised	97	1,095
Utilisation of tax losses previously not recognised	(132)	(170)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(496)	(389)
Underprovision in prior years	22	–
Tax credit for the year	(1,963)	(2,818)

Details of deferred taxation are set out in note 22.

9. LOSS FOR THE YEAR

	Continuing operation		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Loss for the year has been arrived at after charging:						
Staff costs, including directors' emoluments:						
– Salaries and other benefits	32,471	32,950	2,381	4,415	34,852	37,365
– Retirement benefits schemes contributions	778	935	–	12	778	947
Total staff costs	33,249	33,885	2,381	4,427	35,630	38,312
Auditors' remuneration	912	900	–	–	912	900
Depreciation of property, plant and equipment	23,504	24,586	344	668	23,848	25,254
Release of prepaid lease payments	58	58	–	–	58	58
Cost of inventories recognised as an expense	308,743	369,434	6,143	17,978	314,886	387,412
Impairment loss on trade and other receivables	803	116	–	–	803	116
Impairment loss on inventories (included in cost of sales)	2,090	–	–	–	2,090	–
Loss on disposal of property, plant and equipment	106	–	2,744	–	2,850	–
and after crediting:						
Interest income from banks	2,383	916	3	3	2,386	919
Interest income from held-for-maturity investments	311	294	–	–	311	294
Gain on fair value changes on held-for-trading investments	845	–	–	–	845	–
Gain on fair value changes on derivative financial instruments	728	–	–	–	728	–
Gain on disposal of property, plant and equipment	–	1,236	–	–	–	1,236

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to each of the eight (2006: seven) directors were as follows:

2007

	Mr. Li Man Ching* HK$'000	Ms. Li Mei Lin* HK$'000	Mr. Li Man Shun* HK$'000	Mr. Fung Chi Ki* HK$'000	Mr. Tsui Wing Yin** HK$'000	Mr. So Kin Wah** HK$'000 (Note)	Mr. Lau Chung Man, Louis** HK$'000	Mr. Lee Pui Shing** HK$'000	Total HK$'000
Fees	–	–	–	–	100	100	42	52	294
Salaries and other benefits	850	1,110	1,236	778	–	–	–	–	3,974
Retirement benefits schemes contributions	12	16	–	12	–	–	–	–	40
Total emoluments	862	1,126	1,236	790	100	100	42	52	4,308

2006

	Mr. Li Man Ching* HK$'000	Ms. Li Mei Lin* HK$'000	Mr. Li Man Shun* HK$'000	Mr. Fung Chi Ki* HK$'000	Mr. Tsui Wing Yin** HK$'000	Mr. So Kin Wah** HK$'000	Mr. Lau Chung Man, Louis** HK$'000	Total HK$'000
Fees	–	–	–	–	100	100	100	300
Salaries and other benefits	820	1,110	1,244	700	–	–	–	3,874
Retirement benefits schemes contributions	12	16	–	12	–	–	–	40
Total emoluments	832	1,126	1,244	712	100	100	100	4,214

* Being executive director

** Being independent non-executive director

Note: Mr. Lau Chung Man, Louis resigned on 31st August, 2006.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees

Of the five individuals with highest emoluments in the Group, four (2006: four) were directors of the Company, details of whose emoluments are included in the disclosures set out above. The emoluments of the remaining individual were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Salaries and other benefits	656	656
Retirement benefit scheme contributions	12	12
	668	668

11. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 *HK$'000*	2006 *HK$'000*
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	(21,556)	(14,662)
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	384,573	388,573

11. LOSS PER SHARE (continued)

From continuing operation

The calculation of the basic loss per share from continuing operation attributable to the ordinary equity holders of the Company is based on the following data:

	2007 *HK$'000*	2006 *HK$'000*
Loss for the year attributable to equity holders of the Company	(21,556)	(14,662)
Less: Loss for the year from discontinued operation	5,911	4,566
Loss for the purposes of basic loss per share from continuing operation	(15,645)	(10,096)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

From discontinued operation

Basic loss per share for discontinued operation is 1.5 HK cents per share (2006: 1.2 HK cents per share). The denominators used are the same as those detailed above for basic loss per share.

No diluted loss per share for the year ended 31st March, 2007 and 2006 has been presented because the exercise price of the Company's options was higher than the average market price per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1st April, 2005	18,171	259,170	39,296	13,367	81	330,085
Exchange adjustments	–	2,487	101	88	–	2,676
Additions	–	5,478	898	292	–	6,668
Transfer	–	81	–	–	(81)	–
Disposals	–	(4,007)	(412)	(2,310)	–	(6,729)
At 31st March, 2006	18,171	263,209	39,883	11,437	–	332,700
Exchange adjustments	–	6,484	177	208	–	6,869
Additions	–	6,961	588	271	–	7,820
Disposals	–	(9,823)	(2,295)	(1,253)	–	(13,371)
At 31st March, 2007	18,171	266,831	38,353	10,663	–	334,018
DEPRECIATION						
At 1st April, 2005	3,515	152,583	18,540	10,872	–	185,510
Exchange adjustments	–	1,081	60	67	–	1,208
Provided for the year	364	17,383	5,806	1,701	–	25,254
Eliminated on disposals	–	(4,004)	(201)	(2,233)	–	(6,438)
At 31st March, 2006	3,879	167,043	24,205	10,407	–	205,534
Exchange adjustments	–	3,196	170	177	–	3,543
Provided for the year	364	17,335	5,223	926	–	23,848
Eliminated on disposals	–	(5,118)	(444)	(1,164)	–	(6,726)
At 31st March, 2007	4,243	182,456	29,154	10,346	–	226,199
CARRYING VALUES						
At 31st March, 2007	13,928	84,375	9,199	317	–	107,819
At 31st March, 2006	14,292	96,166	15,678	1,030	–	127,166

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the leases, or 50 years
Plant and machinery	6 – 10%
Furniture, fixtures and equipment	20%
Motor vehicles	20 – 30%

All of the Group's buildings are held under medium-term leases in Hong Kong and the PRC.

The carrying value of plant and machinery includes an amount of HK$9,900,000 (2006: HK$10,401,000) in respect of assets held under finance leases.

13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land held in the PRC under medium-term land use right and are analysed for reporting purposes as follows:

	2007 *HK$'000*	2006 *HK$'000*
Non-current asset	2,042	2,100
Current asset	58	58
	2,100	2,158

14. HELD-TO-MATURITY INVESTMENTS

	2007 & 2006
	HK$'000
Held-to-maturity investments – unlisted debt securities	15,600

Held-to-maturity debt securities are measured at amortised cost less any impairment losses. They will mature in 2009 with guaranteed full repayment of investment cost plus the contractual interest rates which are carried at guaranteed coupons totalling approximate 10% of the initial offer price over the investment period. The effective interest rate is 1.9% per annum.

The potential return of the investments is linked to the performance of the Dow Jones Global Titans 50 index and a basket of shares, which is considered as an embedded derivative that is not closely related to the host debt contract. The fair value of the embedded derivative is negligible at the balance sheet dates.

The fair values of these investments have been determined by reference to the market prices that regularly quoted by bank.

15. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	60,936	74,042
Work in progress	42,507	58,420
Finished goods	4,765	8,894
	108,208	141,356

16. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES

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.

Included in trade and other receivables of the Group are trade receivables of HK$46,340,000 (2006: HK$68,702,000).

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

	2007 *HK$'000*	2006 *HK$'000*
0 – 60 days	30,389	39,393
61 – 90 days	7,401	11,785
91 – 120 days	1,566	5,013
Over 120 days	6,984	12,511
	46,340	68,702

Bills receivables are aged within three months.

17. PLEDGED BANK DEPOSIT AND BANK BALANCES

Pledged bank deposit represents deposit pledged to a bank to secure general banking facilities granted to the subsidiary. The pledged deposit carries fixed interest rate of 4.295% (2006: 4.295%) per annum.

Bank balances mainly represent fixed bank deposits with maturity less than three months. They carry interest at market rates which range from 3.50% to 4.75% (2006: 3.50% to 4.50%).

18. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2007	2006
	HK$'000	*HK$'000*
Listed securities:		
Equity securities listed in Hong Kong	875	–
Equity securities listed in the PRC	4,292	–
	5,167	–

The fair values of these investments in securities are based on bid market prices.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Foreign currency forward contracts	1,203	(475)	–	–

Major terms of the foreign currency contracts are as follows:

Notional amount	**Maturity**	**Exchange rate**
US$14,000,000 aggregated in total	Ranged from 14th January 2007 to 21st March, 2008	Buy/sell US$ at RMB

The fair values are determined based on the market prices provided by financial institutions for equivalent instruments at the balance sheet date.

20. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables of the Group are trade payables of HK$16,913,000 (2006: HK$24,080,000).

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

	2007 *HK$'000*	2006 *HK$'000*
0 – 60 days	13,391	14,869
61 – 90 days	1,664	2,751
Over 90 days	1,858	6,460
	16,913	24,080

Bills payable are aged within three months.

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases				
Within one year	2,408	3,346	2,336	3,085
In more than one year but not more than two years	134	2,404	134	2,334
In more than two years but not more than three years	–	134	–	133
	2,542	5,884		
Less: Future finance charges	(72)	(332)		
Present value of lease obligations	2,470	5,552	2,470	5,552
Less: Amount due within one year shown under current liabilities			(2,336)	(3,085)
Amount due after one year			134	2,467

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is three years. For the year ended 31st March, 2007, the average effective borrowing rate was 6.75% (2006: 6.19%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2005	(8,426)	3,515	(4,911)
Credit to consolidated income statement	2,083	735	2,818
At 31st March, 2006	(6,343)	4,250	(2,093)
Credit (charge) to consolidated income statement	2,523	(430)	2,093
At 31st March, 2007	(3,820)	3,820	–

At 31st March, 2007, the Group has unused tax losses of HK$24,945,000 (2006: HK$25,696,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$21,829,000 (2006: HK$24,286,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$3,116,000 (2006: HK$1,410,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

23. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st April, 2005, 31st March, 2006 and 31st March, 2007	5,000,000,000	500,000
Issued and fully paid:		
At 1st April, 2005 and 31st March, 2006	388,573,200	38,857
Shares repurchased	(4,810,000)	(481)
At 31st March, 2007	383,763,200	38,376

24. SHARE-BASED PAYMENT TRANSACTIONS

On 28th August, 2002, the Company adopted the existing share option scheme (the "Scheme") for the primary 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 of directors (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 Scheme will be ending on 27th August, 2012.

Under the Scheme, the Board 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 quotations sheet on the offer date, which must be a trading day; (ii) a price being the average of the closing prices of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer date and (iii) the nominal value of a share, subject to a maximum of 38,664,000 shares, representing approximately 10%, of the issued share capital of the Company as at the date of adoption of Scheme.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

All options granted shall be accepted with 21 days and 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.

The following table discloses movements during both years in the Scheme:

Category		Date of grant	Exercisable period	Exercise price per share	Number of share options				
					At 1.4.2005	Lapsed/ cancelled	At 31.3.2006	Expired	At 31.3.2007
				HK$					
1.	Directors								
	Ms. Li Mei Lin	17.9.2003	17.9.2003 to 16.9.2006	1.62	1,500,000	–	1,500,000	(1,500,000)	–
	Mr. Fung Chi Ki	2.11.2002	2.11.2002 to 1.11.2012	0.51	1,933,200	–	1,933,200	–	1,933,200
					3,433,200	–	3,433,200	(1,500,000)	1,933,200
2.	Employees in aggregate	18.8.2003	1.3.2004 to 30.9.2006	1.67	3,250,000	(3,250,000)	–	–	–
		2.11.2002	2.11.2002 to 1.11.2012	0.51	15,465,600	(3,866,400)	11,599,200	–	11,599,200
					18,715,600	(7,116,400)	11,599,200	–	11,599,200
					22,148,800	(7,116,400)	15,032,400	(1,500,000)	13,532,400

25. DISCONTINUED OPERATION

During the year, the Group decided to discontinue its operation on manufacturing and trading of garment products in view of unsatisfactory performance and continuous loss made.

The results of the garment manufacturing and trading operation for the year which have been included in the consolidated income statement, were as follows:

	2007 HK$'000	2006 HK$'000
Revenue	4,712	16,636
Cost of sales	(6,143)	(17,978)
Other income	532	127
Distribution costs	(38)	(31)
Administrative expenses	(4,974)	(3,320)
Loss for the year	(5,911)	(4,566)

During the year, the garment operation had HK$3,213,000 in respect of the Group's net operating cash outflows (2006: inflows of HK$702,000) and received HK$1,704,000 in respect of investing activities (2006: outflows of HK$700,000).

26. MAJOR NON-CASH TRANSACTION

During the year of 2006, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$2,200,000.

27. PLEDGE OF ASSETS

At 31st March, 2007, certain of the Group's buildings with an aggregate carrying value of HK$2,247,000 (2006: HK$2,308,000), held-to-maturity investments of HK$7,800,000 (2006: HK$7,800,000), and bank deposit of HK$4,000,000 (2006: HK$4,000,000) were pledged to banks as security for general banking facilities granted to the Group.

28. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditures in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,216	266
Capital expenditures in respect of acquisition of property, plant and equipment authorised but not contracted for	–	5,500

29. OPERATING LEASES

The Group as lessee

The Group paid minimum lease payments of HK$1,792,000 (2006: HK$4,553,000) under operating leases 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 will fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	1,978	1,457
In the second to fifth year inclusive	6,539	1,625
Over five years	13,776	2,346
	22,293	5,428

Operating lease payments represent rentals payable by the Group for certain of its office premises and factory premises. Leases of office premises are negotiated for an average term of 1 to 2 years with fixed rentals. Leases of factory premises are negotiated for an average term of 20 years. The yearly rentals are fixed for first 10-year period and will be escalated by 10% for every 10-year period thereafter and the leases are terminable with three-month to four-month notice.

30. RETIREMENT BENEFITS PLANS

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 contributes a fixed percentage of relevant payroll costs to the scheme, which contribution is matched by employees.

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. RELATED PARTY DISCLOSURES

Other than the emoluments paid to the directors of the Company, who are also considered as the key management of the Group, the Group has not entered into any other significant related party transaction.

32. POST BALANCE SHEET EVENT

On 16th July, 2007, the Company has entered into two agreements with Emperor Securities Limited, pursuant to which, the Company will issue in aggregate of 38,000,000 unlisted warrants at the issue price of HK$0.10 each. The subscription price of the warrant is HK$1.06 per subscription share. Details of this transaction were disclosed on the announcement dated 18th July, 2007.

33. BALANCE SHEET OF THE COMPANY

	Note	2007 HK$'000	2006 HK$'000
Non-current asset		84,948	84,948
Current assets		246,085	247,330
Current liabilities		697	759
Net current assets		245,388	246,571
		330,336	331,519
Capital and reserves			
Share capital		38,376	38,857
Reserves	(i)	291,960	292,662
		330,336	331,519

Note:

(i) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st April, 2005	130,452	153,400	8,878	292,730
Loss for the year	–	–	(68)	(68)
At 31st March, 2006	130,452	153,400	8,810	292,662
Loss for the year	–	–	(31)	(31)
Shares repurchased	(671)	–	–	(671)
At 31st March, 2007	129,781	153,400	8,779	291,960

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 in 2001.

34. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries of the Company as at 31st March, 2007 were as follows:

Name of subsidiary *(Note c)*	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company *(Note a)*	Principal activities
Dongguan Winscope Garment Manufacturing Co., Ltd. ("DG Winscope")	PRC	HK$15,000,000 *(Note c)*	100%	Manufacturing of garment products
Gold Sleeve Limited	British Virgin Islands ("BVI")/ Hong Kong	US$50,000	100%	Sale of garment
Kwong Hing Knitting Fabric Trading Co. Limited	Hong Kong	HK$1,000,000	100%	Manufacture and sale of knitted fabric and dyed yarns
Kwong Tai Dyeing Co. Limited	Hong Kong	HK$3,000,000	100%	Inactive
Nanhai Hengxing Dyeing Co., Ltd. ("Hengxing") *(Note b)*	PRC	HK$139,764,000 *(Note b)*	100%	Provision of dyeing, bleaching, setting and finishing services
Real Connection Limited	BVI	US$50,000	100%	Investment holding
Sinoplex Limited ("Sinoplex")	BVI	US$75	100%	Investment holding
Unite Might Investment Limited	Hong Kong	HK$500,000	100%	Provision of administration services
Sano Macao Commercial Offshore Company Limited	Macau	MOP1,000,000	100%	Sale of knitted fabric and dyed yarns
Sano Trading Limited	BVI	US$100	100%	Investment holding
Wincast Ltd.	BVI	US$1	100%	Investment holding
Winscope Limtied	BVI	US$1	100%	Investment holding
KHI Trading Limited	USA	US$1,000	100%	Sale of knitted fabric and dyed yarns
Allwealth Pacific Limited	BVI/PRC	US$100	100%	Provision of dyeing, bleaching, setting and finishing services

34. PARTICULARS OF SUBSIDIARIES (continued)

Notes:

a. The Company directly held the interests in Sinoplex. All the other interests shown above are indirectly held.

b. The capital contributed by the Group which has been verified amounted to approximately HK$122,844,000.

c. Other than Hengxing and DG Winscope, which are wholly foreign owned enterprises established in the PRC, all other companies are limited liability companies incorporated in the respective jurisdictions.

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

Financial Summary

RESULTS

	Year ended 31st March,				
	2003	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue from continuing and discontinued operations	353,326	540,167	528,327	405,347	324,336
Profit (loss) before taxation	23,179	35,158	3,554	(17,817)	(23,519)
Income tax (expense) credit	(999)	(1,621)	(551)	2,818	1,963
Profit (loss) for the year	22,180	33,537	3,003	(14,999)	(21,556)
Attributable to:					
Equity holders of the Company	22,180	33,629	1,300	(14,662)	(21,556)
Minority interests	–	(92)	1,703	(337)	–
	22,180	33,537	3,003	(14,999)	(21,556)

ASSETS AND LIABILITIES

	As at 31st March,				
	2003	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	455,952	500,237	473,107	442,095	399,727
Total liabilities	(76,154)	(104,931)	(79,595)	(62,521)	(38,758)
	379,798	395,306	393,512	379,574	360,969
Attributable to:					
Equity holders of the Company	379,798	391,875	393,175	379,574	360,969
Minority interests	–	3,431	337	–	–
	379,798	395,306	393,512	379,574	360,969

Note: The application of the new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005 did not result in material changes to the Group's result for the three years ended 31st March, 2005 and the summary of assets and liabilities for the Group as at 31st March, 2003, 31st March, 2004 and 31st March, 2005.