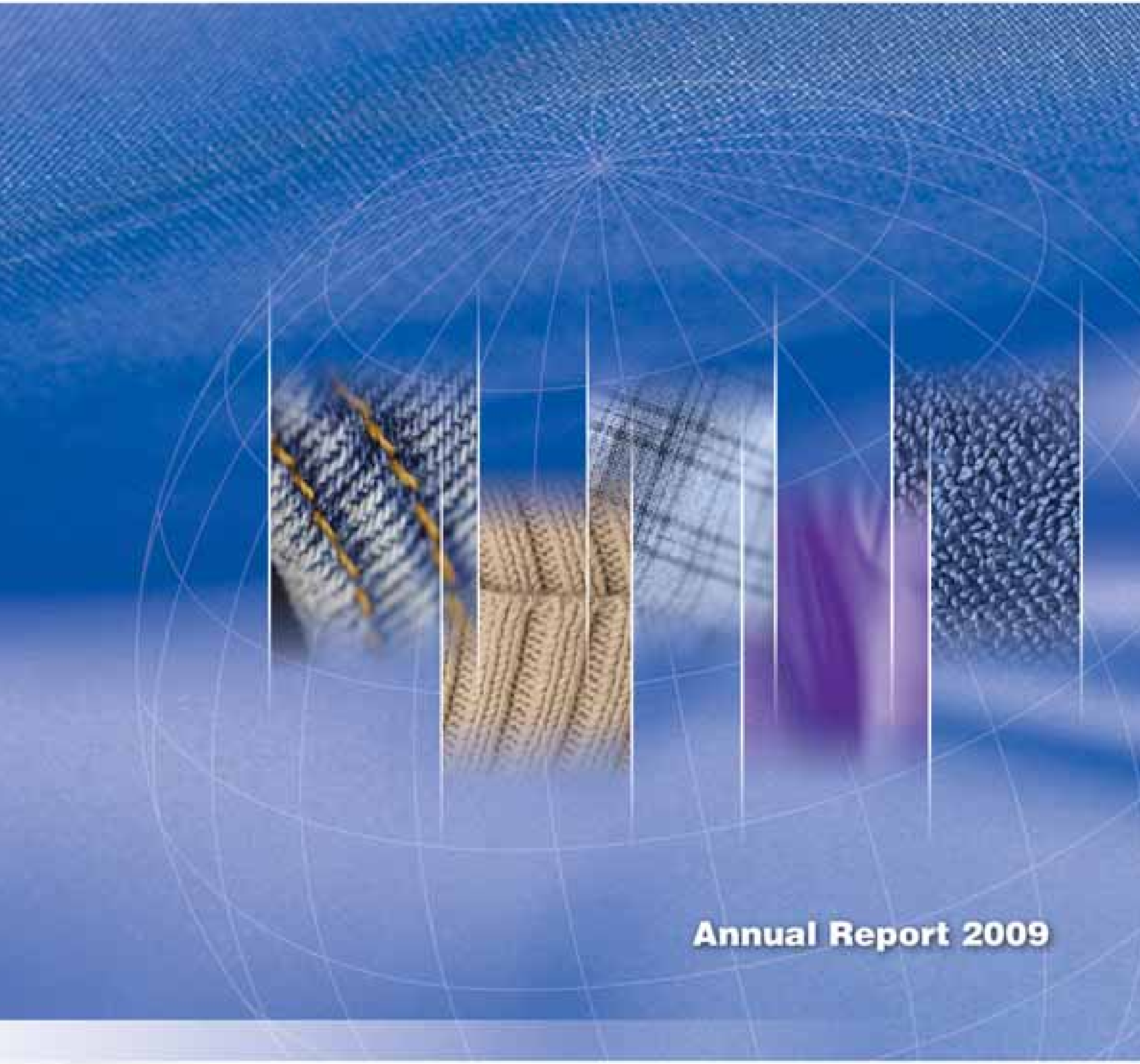

KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)

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
Lee Pui Shing

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, 2009.

RESULTS

For the year ended 31st March, 2009, the Group recorded a turnover of approximately HK$235,865,000 representing a decrease 18.0% compared to that of last year, and gross profit is only approximately HK$11,531,000 which represented decrease of approximately 34.5% compared to that of last year. Together with the loss on the fair value change of approximately HK$29,301,000 on the financial instruments as the consequence of the worsening condition of the worldwide financial market, the Group recorded a net loss of approximately HK$42,609,000 for the year.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31st March, 2009.

BUSINESS REVIEW

The worldwide economic conditions are worsening in the year under review especially in the second half of the year, such conditions had given an adverse impact to the Group's business. As a result, the turnover of manufacture and sales of knitted fabric and dyed yarns has dropped to approximately HK$235,865,000 representing a decrease of 18.0% as compared to that of last year. Moreover, the production cost has increased markedly because of rise in price of dyed material, coal and electricity, and salary and wages in China and the appreciation of the Renminbi against HK dollar. Although, the impact of production cost increase was reduced by the stringent cost control measures which had delivered a positive impact to the Group, the Group's gross margin was decreased to 4.9% from 6.1% of last year. During the year, loss of appropriately HK$29,301,000 on the fair value changes on the financial instruments was recorded. As a result, the Group recorded a net loss of approximately HK$42,609,000 this year.

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$7,231,000 in property, plant and equipment.

PROSPECTS

Looking forward, the worse worldwide economic conditions and 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2009, the Group's shareholders' equity amounted to HK$299,585,000, while total indebtedness to financial institutes amounted to approximately HK$1,463,000, and cash on hand amount to approximately HK$87,065,000. The Group's financial institute's indebtedness to equity ratio is only 0.005. Current ratio is 8.1. The Group also hold financial assets of approximately HK$46,961,000. 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.

The Groups' assets, liabilities and business transactions are principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars and therefore the Group is exposed to foreign exchange risk from U.S. dollar and Chinese Renminbi. The Board manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risk.

PLEDGE OF ASSETS

As 31st March, 2008 certain of the Group's buildings with an aggregate carrying amount of HK$2,183,000, held-to-maturity investments of HK$7,800,000, and bank deposit of HK$4,000,000 were pledged to banks as securities for general banking facilities granted to the Group. All of those Group's buildings, and held-to-maturity investments were released during the year and only bank deposit of HK$4,000,000 was still pledged as at 31st March, 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's largest customer and five largest customers taken together accounted for approximately 11.5% and 33.2% respectively.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 17.6% and 41.5% respectively.

At no time during the year did a director, an associate of a director or a shareholder of the Company have an interest in any of the Group's five largest suppliers or customers.

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, 2009

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Li Man Ching, aged 50, 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 49, 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 45, 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 46, is the Group's chief financial officer and company secretary of the Company. Mr. Fung has obtained a Master degree in business administration from Open University of Hong Kong and 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 48, 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 50, 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 45, is a senior finance 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.

DIRECTORS AND SENIOR MANAGEMENT (continued)

Management

Mr. Kwan Chui Shui, aged 37, 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 49, 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.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st March, 2009.

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.

RESULTS

The results of the Group for the year ended 31st March, 2009 are set out in the consolidated income statement on page 19 of the annual report.

No dividend was paid during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to members at 31st March, 2009 amounted to HK$113,865,000 (2008: HK$158,305,000) comprised contributed surplus of HK$153,400,000 (2008: HK$153,400,000) and accumulated losses of HK$39,535,000 (2008: accumulated profits of HK$4,905,000).

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

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

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

DIRECTORS' SERVICE CONTRACTS

Mr. Li Man Shun and Mr. Fung Chi Ki have entered into service contracts with the Company for the term commencing from 1st January, 2008; and Mr. So Kin Wah has entered into service contract with the Company for with a fixed terms of three years commencing from 25th July, 2008. All their appointments are subjected to the retire requirement according to the Company's Bye-laws and shall continue thereafter, until terminated 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 EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2009, the interests of the directors, the chief executive 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 *(note)*	Interest in underlying shares pursuant to share option	Aggregated interest	Percentage of the issued share capital of the Company
Ms. Li Mei Lin	175,428,000	3,100,000	178,528,000	46.5%
Mr. Li Man Shun	175,428,000	2,380,000	177,808,000	46.3%
Mr. Li Man Ching	–	3,830,000	3,830,000	1.0%
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 175,428,000 shares of HK$0.10 each in the Company.

Other than disclosed above, none of the directors, chief executive, 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, 2009.

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

None of the Company or its 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 26 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, 2009.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 26 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, 2009 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 above deviation has been rectified in July 2008.

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 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, 2009, the Group had approximately 750 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 26 to the consolidated financial statements. During the year, options to subscribe for a total of 3,100,000 shares of the Company were granted, and fair value of share options for HK$787,000 was charged to the income statement.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2009.

AUDITOR

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

On behalf of the Board

CHAIRMAN
Hong Kong, 20th July, 2009

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2009 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 above deviation is rectified in July 2008.

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

The biographical details of the Directors are set out on page 6 of this annual report.

The Board had met five 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)*	5/5
Ms. Li Mei Lin *(Deputy Chairman and Chief Executive Officer)*	5/5
Mr. Li Man Shun	5/5
Mr. Fung Chi Ki	5/5
Independent non-executive Directors	
Mr. Tsui Wing Yin	5/5
Mr. So Kin Wah	5/5
Mr. Lee Pui Shing	5/5

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:

Lee Pui Shing (Chairman)
Tsui Wing Yin
So Kin Wah

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 four times 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. Lee Pui Shing (the chairman), Mr. So Kin Wah and Ms. Li Mei Lin. The remuneration committee had met two times 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, no candidates be nominated.

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 charge to the accounts this year is HK$850,000. Deloitte Touche Tohmatsu are also the tax advisers of the Group, the services charges for the year is HK$55,000.

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 17 to page 18 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 19 to 69, which comprise the consolidated balance sheet as at 31st March, 2009, 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, 2009 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, 2009

Consolidated Income Statement

	NOTES	2009 *HK$'000*	2008 *HK$'000*
Revenue	6	**235,865**	287,765
Cost of sales		**(224,334)**	(270,151)
Gross profit		**11,531**	17,614
Other income		**3,024**	4,417
Other gains and losses	8	**(27,499)**	(20,110)
Distribution and selling expenses		**(4,681)**	(6,474)
Administrative expenses		**(24,983)**	(32,921)
Finance costs	9	**(1)**	(72)
Loss before taxation		**(42,609)**	(37,546)
Taxation		**–**	–
Loss for the year	11	**(42,609)**	(37,546)
Loss per share-Basic	13	**11.1 HK cents**	9.8 HK cents

Consolidated Balance Sheet

At 31st March, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	92,166	100,669
Prepaid lease payments	15	1,926	1,984
Held-to-maturity investments	16	–	15,600
		94,092	118,253
Current assets			
Inventories	17	57,857	102,898
Trade and other receivables	18	40,679	36,469
Bills receivable	18	1,854	448
Prepaid lease payments	15	58	58
Held-to-maturity investments	16	15,600	–
Financial assets at fair value through profit or loss	20	31,361	39,595
Derivative financial instruments	21	–	3,131
Restricted bank deposit	19	1,896	–
Pledged bank deposit	19 & 27	4,000	4,000
Bank balances and cash	19	81,169	70,349
		234,474	256,948
Current liabilities			
Trade and other payables	22	21,493	25,660
Bills payable-secured	22	1,463	1,728
Taxation payable		3,429	2,794
Obligations under finance leases	23	–	134
Derivative financial instruments	21	2,596	4,424
		28,981	34,740
Net current assets		205,493	222,208
		299,585	340,461

Consolidated Balance Sheet

At 31st March, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	25	**38,376**	38,376
Reserves		**261,209**	302,085
		299,585	340,461

The consolidated financial statements on pages 19 to 69 were approved and authorised for issue by the Board of Directors on 20th July, 2009 and are signed on its behalf by:

CHAIRMAN *DEPUTY CHAIRMAN*

Consolidated Statement of Changes in Equity For the year ended 31st March, 2009

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1st April, 2007	38,376	129,781	122,652	–	4,886	–	65,274	360,969
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	7,909	–	–	7,909
Loss for the year	–	–	–	–	–	–	(37,546)	(37,546)
Total recognised income and expense for the year	–	–	–	–	7,909	–	(37,546)	(29,637)
Issue of warrants (note 25)	–	–	–	3,800	–	–	–	3,800
Expenses incurred in connection with the issue of warrants	–	–	–	(193)	–	–	–	(193)
Recognition of equity-settled share-based payments	–	–	–	–	–	5,522	–	5,522
Lapse of share options	–	–	–	–	–	(2,668)	2,668	–
At 31st March, 2008	38,376	129,781	122,652	3,607	12,795	2,854	30,396	340,461
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	946	–	–	946
Loss for the year	–	–	–	–	–	–	(42,609)	(42,609)
Total recognised income and expense for the year	–	–	–	–	946	–	(42,609)	(41,663)
Expiration of warrants (note 25)	–	–	–	(1,803)	–	–	1,803	–
Recognition of equity-settled share-based payments	–	–	–	–	–	787	–	787
At 31st March, 2009	38,376	129,781	122,652	1,804	13,741	3,641	(10,410)	299,585

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

Consolidated Cash Flow Statement

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss for the year	(42,609)	(37,546)
Adjustments for:		
Depreciation of property, plant and equipment	15,659	17,737
Finance costs	1	72
Loss on fair value changes on held-for-trading investments	25,412	3,059
Loss on fair value changes on financial assets designated at FVTPL	1,293	3,604
Loss on fair value changes on derivative financial instruments	2,596	2,021
Impairment loss on trade and other receivables	580	11,426
Interest income	(1,724)	(3,574)
(Gain) loss on disposal of property, plant and equipment	(1,656)	436
Share-based payment expenses	787	5,522
Release of prepaid lease payments	58	58
Operating cash flows before movements in working capital	397	2,815
Decrease in inventories	45,041	5,310
(Increase) decrease in trade and other receivables	(4,790)	1,091
(Increase) decrease in bills receivable	(1,406)	1,957
Increase in financial assets at fair value through profit or loss	(18,471)	(41,091)
Increase in derivative financial instruments	(1,293)	–
Decrease in trade and other payables	(4,167)	(4,700)
Decrease in bills payable	(265)	(261)
Cash generated from operations	15,046	(34,879)
Income taxes refund (paid)	635	(670)
Interest paid	(1)	(72)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	15,680	(35,621)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,231)	(5,487)
Increase in restricted bank deposit	(1,896)	–
Proceeds on disposal of property, plant and equipment	2,087	6
Interest received	1,724	3,574
NET CASH USED IN INVESTING ACTIVITIES	(5,316)	(1,907)

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Repayments of obligations under finance leases	(134)	(2,336)
Expense incurred in connection with issue of warrants	–	(193)
Cash received from the issue of warrants	–	3,800
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(134)	1,271
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,230	(36,257)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	70,349	104,239
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	590	2,367
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	81,169	70,349

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

[2] Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

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

[4] Effective for annual periods beginning on or after 1st July, 2009

[5] Effective for annual periods ending on or after 30th June, 2009

[6] Effective for annual periods beginning on or after 1st July, 2008

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

[8] Effective for transfers on or after 1st July, 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 23 (Revised) will remove the option of immediately expensing those borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset. HKAS 27 (Revised) will affect the accounting treatment for Group's interest in a subsidiary.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

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, as explained in accounting policies set out below.

The consolidated financial statements have been prepared 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

Where necessary, adjustments are made to the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset including financial assets at fair value through profit or loss 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.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

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.

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 the 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.

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, 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 and accounted for as property, plant and equipment. To the extent the allocation of the lease payment can be made reliably, leasehold interests in land are accounted for as operating leases.

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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into three categories, including financial assets at FVTPL, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method (continued)

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in active market 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 (see accounting policy on impairment of financial assets below).

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, restricted bank deposit, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial asset carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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 liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definition 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 Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL represents financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including trade and other payables and bills payable) 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.

Warrants issued by the Company that will be settled by a fixed amount of cash for fixed number of the Company's own equity instruments is equity. The net proceed received from the issue of warrants is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated profits.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

Derivative financial instruments (continued)

Derivatives not designated into an effective hedge relationships are classified as held-for-trading and presented as a current asset or current liability.

Impairment losses on tangible assets

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 immediately in profit or loss.

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 immediately in profit or loss.

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.

Retirement benefit costs

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

Equity-settled share-based payment transactions

Share options granted to employees of the Group after 7th November, 2002 and vested on or 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 recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees of the Group after 7th November, 2002 and vested on or after 1st April, 2005 (continued)

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 the retained profits.

Share options granted on or before 7th November, 2002 or 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 consolidated financial statements 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.

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 the 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 income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 Group (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. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**121,229**	109,775
Held-to-maturity investments	**15,600**	15,600
Fair value through profit or loss		
Held-for-trading	**28,837**	34,310
Designated as at FVTPL	**2,524**	8,416
Financial liabilities		
Amortised cost	**14,527**	18,277
Fair value through profit or loss		
Held-for-trading	**2,596**	4,424

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, restricted bank deposit, pledged bank deposit, bank balances and cash, trade and other payables, bills payable, financial assets/liabilities at fair value through profit or loss and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk primarily in relation to the floating-rate bank balances. The Group is also exposed to fair value interest rate risk related to the fixed rate bank deposits and held-to-maturity investment. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. No sensitivity analysis was performed as the impact of the bank balances is insignificant.

Other price risk

The Group is exposed to equity price risk arising from held-for-trading investments, investments in equity-linked notes and equity option accumulators. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity investments quoted on the Stock Exchange in Hong Kong and the People's Republic of China (the "PRC"). In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks, assuming all other variables were held constant, at the reporting date.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Other price risk (continued)

Sensitivity analysis (continued)

If the equity prices of the respective held-for-trading investment and underlying equity securities in relation to the equity option accumulators had been 5% (2008: 5%) higher/lower, the Group's loss after tax for the year ended 31st March, 2009 would decrease/increase by HK$1,287,000 (2008: HK$2,387,000) as a result of the changes in fair value of held-for-trading investments and equity option accumulators. The above decrease/increase estimated are not representative of the Group's exposure to other price risk for equity option accumulators because it has not taken into account the option value which may remain in (or out of) money for the chosen change in the risk variable. The effect of equity-linked notes is insignificant.

In addition, the Group is exposed to fluctuation in foreign exchange rates (mainly RMB/HKD) in relation to its foreign currency forward contracts. For a 5% (2008: 5%) increase in the forward exchange rates of RMB of the relevant forward contracts, Group's loss after-tax for the year will be decreased by approximately HK$12,000 (2008: HK$2,851,000). For a 5% decrease in forward foreign exchange rates of RMB of the relevant forward contracts, there would be an equal and opposite impact on the Group's loss for the current and prior years.

Credit risk

As at 31st March, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to manage its the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt on a collective basis at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as the held-to-maturity investments are due from two counterparties plus guarantor.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on held-to-maturity investments and liquid funds is limited because the counterparties are banks with good reputation.

Other than the concentration of credit risk by geographical location, which is mainly in Hong Kong and accounted for 92% (2008: 85%) of the total trade receivable as at 31st March, 2009, the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative financial instruments. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. For derivative financial liabilities settled on a net/gross basis, the table has been drawn up based on the undiscounted net/gross cash (inflows) outflows on these derivative instruments. The table includes both interest and principal cash flows.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31st March, 2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009							
Non-derivative financial liabilities							
Trade and other payables	–	7,617	3,124	2,323	–	13,064	13,064
Bills payable	–	449	453	561	–	1,463	1,463
		8,066	3,577	2,884	–	14,527	14,527
Derivatives-net settlement							
Foreign exchange forward contracts							
– inflow	–	–	–	–	–	–	–
– outflow	–	–	276	–	–	276	276
		–	276	–	–	276	276
Derivatives-gross settlement							
Equity option accumulators							
– inflow	–	(1,150)	(487)	(345)	–	(1,982)	–
– outflow	–	2,276	1,145	919	–	4,340	–
		1,126	658	574	–	2,358	2,320

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31st March, 2008 *HK$'000*
2008							
Non-derivative financial liabilities							
Trade and other payables	–	5,625	3,760	7,030	–	16,415	16,415
Bills payable	–	1,728	–	–	–	1,728	1,728
Obligations under finance leases	5.48	67	68	–	–	135	134
		7,420	3,828	7,030	–	18,278	18,277
Derivatives-net settlement							
Foreign exchange forward contracts							
– inflow	–	–	(876)	(2,255)	–	(3,131)	(3,131)
– outflow	–	–	425	264	–	689	689
		–	(451)	(1,991)	–	(2,442)	(2,442)
Derivatives-gross settlement							
Equity option accumulators							
– inflow	–	(2,042)	(4,085)	(10,427)	–	(16,554)	–
– outflow	–	2,523	5,047	12,707	–	20,277	–
		481	962	2,280	–	3,723	3,735

The undiscounted net/gross cash inflows on the equity option accumulators are determined using market prices at the balance sheet date and number of the underlying equity securities obligated to purchase over the remaining time to maturity. Please see note 21 for details.

The undiscounted net/gross cash outflow on the equity option accumulators are determined using strike price and number of the underlying equity securities obligated to purchase over the remaining time to maturity. Please see note 21 for details.

5. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities (including derivatives instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis), using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities, other than held-to-maturity investments, recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

6. REVENUE

Revenue represents the aggregate of net amounts received and receivable for goods sold, less returns and allowances to outside customers during the year. The Group's operations is regarded as a single segment, being the manufacture and sale of knitted fabric and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services. The Group has therefore reported its primary segment information by geographical locations.

7. SEGMENT INFORMATION

Primary report segment – geographical segment

As over 90% of the Group's revenue and contribution to segment results based on location of customers for the year ended 31st March, 2009 and 2008 are derived from Hong Kong, geographical analyses of segment revenue and results are not presented. Other geographical locations include Mainland China.

Segment assets consist of plant and machinery of approximately HK$67,748,000 (2008: HK$77,076,000), inventories and trade receivables. Segment liabilities comprise trade payables. Other than plant and machinery, substantial amounts of the carrying amounts of segment assets and liabilities by location of customers at 31st March, 2009 and 2008 and non-cash expense (including impairment loss on trade and receivables) for the two years ended 31st March, 2009 and 2008 are attributable to Hong Kong.

Unallocated corporate asset such as property, equipment of approximately HK$5,055,000 (2008: HK$8,539,000), prepaid lease payments, held-to-maturity investments, other receivables, bank balances, financial instruments at fair value through profit or loss and other non-cash expenses (including depreciation of property, plant and equipment, release of prepaid lease payments and fair value changes on financial instruments at fair value through profit or loss) are not directly attributable to each customer and cannot be allocated to the segments on a reasonable basis. Accordingly, no analysis of these information by geographical area is presented.

At 31st March, 2009 and 2008, plant and machinery (together with the capital additions for the two years ended 31st March, 2009 and 2008) as well as inventories as included in segment assets are located in the Mainland China. Accordingly, no analysis of the Group's carrying amounts of segment assets and capital additions by geographical area is presented.

8. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
Loss on fair value change on held-for-trading investments	**(25,412)**	(3,059)
Loss on fair value change on financial assets designated at FVTPL	**(1,293)**	(3,604)
Loss on fair value change on derivative financial instrument	**(2,596)**	(2,021)
Impairment loss on trade and other receivables	**(580)**	(11,426)
Bad debt recovered	**726**	–
Gain on disposal of property, plant and equipment	**1,656**	–
	(27,499)	(20,110)

9. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on finance leases wholly repayable within five years	**1**	72

10. TAXATION

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made for the year ended 31st March, 2009 and 2008 as the Group had incurred a tax loss for both years.

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

10. TAXATION (continued)

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

	2009 HK$'000	2008 HK$'000
Loss for the year	(42,609)	(37,546)
Tax credit at the domestic income tax rate of 16.5% (2008: 17.5%)	(7,030)	(6,571)
Tax effect of expenses not deductible for tax purpose	1,962	2,654
Tax effect of income not taxable for tax purpose	(533)	(592)
Tax effect of tax losses not recognised	6,358	4,787
Effect of different tax rates of subsidiaries operating in other jurisdictions	(757)	(278)
Taxation for the year	–	–

Details of deferred taxation are set out in note 24.

11. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs, including directors' emoluments:		
– Salaries and other benefits	35,281	34,658
– Retirement benefit scheme contributions	1,405	986
– Share-based payment expenses	787	5,522
Total staff costs	37,473	41,166

11. LOSS FOR THE YEAR (continued)

	2009 HK$'000	2008 HK$'000
Auditor's remuneration	**850**	900
Depreciation of property, plant and equipment	**15,659**	17,737
Release of prepaid lease payments	**58**	58
Cost of inventories recognised as an expense	**224,334**	270,151
Loss on disposal of property, plant and equipment	**–**	436
and after crediting:		
Interest income from banks	**1,226**	3,206
Interest income from held-to-maturity investments	**498**	368

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to each of the seven (2008: seven) directors were as follows:

2009

	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. Lee Pui Shing** HK$'000	Total HK$'000
Fees	–	–	–	–	130	130	130	390
Salaries and other benefits	1,575	1,500	1,500	924	–	–	–	5,499
Retirement benefits schemes contributions	16	16	–	12	–	–	–	44
Share-based payment expense	–	–	–	–	–	–	–	–
Total emoluments	1,591	1,516	1,500	936	130	130	130	5,933

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors (continued)

2008

	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. Lee Pui Shing** HK$'000	Total HK$'000
Fees	–	–	–	–	100	100	100	300
Salaries and other benefits	1,170	1,320	1,428	834	–	–	–	4,752
Retirement benefits schemes contributions	12	16	–	12	–	–	–	40
Share-based payment expense	1,245	836	773	–	–	–	–	2,854
Total emoluments	2,427	2,172	2,201	846	100	100	100	7,946

* Being executive director

** Being independent non-executive director

Employees

Of the five individuals with highest emoluments in the Group, four (2008: 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:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	1,500	656
Retirement benefit scheme contributions	12	12
Share-based payment expenses	787	–
	2,299	668

13. LOSS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company for the purpose of basic loss per share	**(42,609)**	(37,546)

	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**383,763**	383,763

No diluted loss per share for the year ended 31st March, 2009 and 2008 has been presented because the exercise prices of the Company's options and warrants were higher than the average market price per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1st April, 2007	18,171	266,831	38,353	10,663	334,018
Exchange adjustments	–	12,502	342	383	13,227
Additions	1,520	115	908	2,944	5,487
Disposals	–	–	(453)	(406)	(859)
At 31st March, 2008	19,691	279,448	39,150	13,584	351,873
Exchange adjustments	–	1,893	68	88	2,049
Additions	4,760	1,299	7	1,165	7,231
Disposals	–	(15,844)	–	(921)	(16,765)
At 31st March, 2009	24,451	266,796	39,225	13,916	344,388
DEPRECIATION					
At 1st April, 2007	4,243	182,456	29,154	10,346	226,199
Exchange adjustments	–	6,995	335	355	7,685
Provided for the year	394	12,921	3,763	659	17,737
Eliminated on disposals	–	–	(10)	(407)	(417)
At 31st March, 2008	4,637	202,372	33,242	10,953	251,204
Exchange adjustments	–	1,542	67	84	1,693
Provided for the year	451	10,774	3,169	1,265	15,659
Eliminated on disposals	–	(15,640)	–	(694)	(16,334)
At 31st March, 2009	5,088	199,048	36,478	11,608	252,222
CARRYING AMOUNTS					
At 31st March, 2009	19,363	67,748	2,747	2,308	92,166
At 31st March, 2008	15,054	77,076	5,908	2,631	100,669

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment 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 land use rights in the People's Republic of China (the "PRC").

15. PREPAID LEASE PAYMENTS

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

	2009	2008
	HK$'000	*HK$'000*
Non-current asset	**1,926**	1,984
Current asset	**58**	58
	1,984	2,042

16. HELD-TO-MATURITY INVESTMENTS

	2009	2008
	HK$'000	*HK$'000*
Held-to-maturity investments-unlisted debt securities	**15,600**	15,600

16. HELD-TO-MATURITY INVESTMENTS (continued)

Held-to-maturity debt securities are measured at amortised cost less any impairment losses. They will mature with guaranteed full repayment of investment cost plus the contractual interest rates which are carried at guaranteed coupons totalling approximately 10% of the initial offer price over the investment period. The effective interest rate are ranged from 1.80% to 3.43% per annum. Since the held-to-maturity investments had either been matured in June 2009 or will be matured in November 2009, respectively, they are reclassified as current as at 31st March, 2009.

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 value of these investments including embedded derivative is approximately HK$15,280,000 (2008: HK$15,500,000) which has been determined by reference to the price quoted by bank.

17. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw materials	**40,691**	69,388
Work in progress	**17,166**	33,510
	57,857	102,898

18. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	33,940	35,611
Impairment loss recognised	(1,630)	(2,402)
	32,310	33,209
Other receivables, deposits and prepayment	8,369	3,260
	40,679	36,469

The Group generally allows credit period of up to 120 days to its trade customers. The following is an aged analysis of trade receivables net of impairment loss, is as follows:

	2009	2008
	HK$'000	*HK$'000*
0-60 days	22,494	15,474
61-90 days	3,491	10,632
91-120 days	1,035	5,816
Over 120 days	5,290	1,287
	32,310	33,209

Before accepting any new customer, the Group will assess credit worthiness by customer. As the customers are mostly the renowned international garment manufacturer, therefore based on the past history, no recoverability problem is expected. Trade receivables that were neither past due nor impaired are customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE (continued)

Included in the Group's trade receivables balance as at 31st March, 2009 are debtors with a carrying amount of HK$6,325,000 (2008: HK$1,454,000) which are past due at the reporting date for which the Group has not recognised impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired

	2009	2008
	HK$'000	*HK$'000*
91-120 days	1,035	167
Over 120 days	5,290	1,287
	6,325	1,454

Bills receivable are aged within three months.

Movement in impairment loss recognised

	2009	2008
	HK$'000	*HK$'000*
Balance at the beginning of the year	2,402	803
Impairment loss recognised on trade receivables	580	11,426
Bad debt recovered	(726)	–
Amount written off as uncollectible	(626)	(9,827)
Balance at the end of the year	1,630	2,402

The Group has provided fully for all receivables that are aged over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

19. RESTRICTED BANK DEPOSIT/PLEDGED BANK DEPOSIT/BANK BALANCES

Restricted bank deposit represents deposit placed in a financial institution as collateral for entering equity option accumulator contracts and it had been released in June 2009.

Pledged bank deposit represents deposit pledged to a bank to secure general banking facilities granted to the subsidiaries and expected to recover within 12 months from balance sheet date. The pledged deposit carries fixed interest rate of 2.900% (2008: 4.285%) per annum.

Bank balances mainly represent fixed bank deposits with maturity less than three months. They carry interests at fixed rates which range from 0.30% to 2.50% (2008: 2.50% to 3.30%) per annum.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments held-for-trading:

	2009	2008
	HK$'000	*HK$'000*
Listed equity securities in:		
– Hong Kong	**16,641**	16,070
– PRC	**12,196**	15,109
	28,837	31,179
Financial assets designated at fair value through profit or loss:		
– Equity-linked notes	**2,524**	8,416
	31,361	39,595

The equity-linked notes are denominated in Hong Kong dollars and United State dollars and contain terms enabling the issuers either to deliver the underlying equity securities on maturity if the market prices of underlying securities are lower than their respective predetermined reference prices or cash settlement of the principal and interest if market price of the underlying securities are higher than their respective predetermined reference prices. The equity linked notes which contain a host contract and an embedded derivative are designated as financial assets at fair value through profit or loss and are measured at fair value.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

At the balance sheet date, all financial assets at fair value through profit or loss are stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active markets and those of the equity-linked notes are based on the valuation provided by the respective issuing banks or financial institutions, which is determined based on pricing model with inputs such as share price of the underlying equity securities, the strike price, the knock-out price, if any, of the contracts and volatility of the underlying equity securities.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Foreign currency forward contracts	**–**	**(276)**	3,131	(689)
Equity option accumulators	**–**	**(2,320)**	–	(3,735)
	–	**(2,596)**	3,131	(4,424)

Major terms of the foreign currency contracts are as follows:

Notional amount	Maturity	Exchange rate
2009		
HK$10,000,000 aggregated in total	Ranged from 11th May, 2009 to 10th June, 2009	Buy RMB and Sell HK$ at 0.8576 to 0.8578
2008		
US$5,900,000 aggregated in total	Ranged from 14th May, 2008 to 25th March, 2009	Buy RMB and Sell US$ at 6.4205 to 7.4843
US$1,000,000	16th May, 2008	Buy US$ and Sell RMB at 7.2910

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At 31st March, 2009, the Group has outstanding equity option accumulator contracts with maturity dates ranging from 2nd April, 2009 to 5th June, 2009.

The equity option accumulator contracts contain terms such as the strike price of the underlying equity securities, settlement dates, lot of shares traded on each settlement date and the knock-out price.

At each settlement date until the maturity of the equity option accumulator contracts, unless the contracts had been terminated (as describe below), the Group holds an obligation to buy the shares of the underlying equity securities at the strike price of the contracts. Likewise, the counterparty financial institution holds an obligation to sell shares at the strike price. There is no leverage effect in respect of the contracts outstanding as at 31st March, 2009.

The equity option accumulator contracts are subject to termination prior to the maturity if the quoted market share price of the underlying equity securities during the observation period is higher than the predetermined knock-out price.

The equity accumulator contracts are derivative financial instruments and are measured at fair value at balance sheet date. The fair value is determined based on valuation provided by the counterparty financial institution, which is determined based on pricing model inputs such as share price of the underlying equity securities, the strike price, the knock-out price of the contracts and volatility of the underlying equity securities.

22. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables of the Group are trade payables of HK$13,064,000 (2008: HK$15,253,000).

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

	2009	2008
	HK$'000	*HK$'000*
0-60 days	**9,820**	8,389
61-90 days	**1,247**	2,401
Over 90 days	**1,997**	4,463
	13,064	15,253

22. TRADE AND OTHER PAYABLES AND BILLS PAYABLE (continued)

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Bills payable are aged within three months.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases within one year	–	135	–	134
Less: Future finance charges	–	(1)	–	–
Present value of lease obligations	–	134	–	134
Less: Amount due within one year shown under current liabilities			–	(134)
Amount due after one year			–	–

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, 2009, the average effective borrowing rate was 4.0% (2008: 5.5%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are discharged upon the expiration of finance leases.

24. DEFERRED TAXATION

The following are the major deferred tax (liabilities) 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, 2007	(3,820)	3,820	–
Credit (charge) to consolidated income statement	2,116	(2,116)	–
At 31st March, 2008	(1,704)	1,704	–
Credit (charge) to consolidated income statement	735	(735)	–
Effect of change in tax rate	97	(97)	–
At 31st March, 2009	(872)	872	–

At 31st March, 2009, the Group has unused tax losses of HK$74,289,000 (2008: HK$40,207,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$5,285,000 (2008: HK$9,737,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$69,004,000 (2008: HK$30,470,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st April, 2007, 31st March, 2008 and 31st March, 2009	5,000,000,000	500,000
Issued and fully paid:		
At 1st April, 2007, 31st March, 2008 and 31st March, 2009	383,763,200	38,376

On 16th July, 2007, the Company had entered into two agreements with Emperor Securities Limited, pursuant to which, the Company would issue 38,000,000 unlisted warrants at the price of HK$0.10 each, the subscription price of the warrant was HK$1.06 per subscription share. Upon the issuance of warrants, HK$3,800,000 was credited to warrant reserve.

On 1st February, 2009, 19,000,000 warrants were expired with an amount of HK$1,803,000 transferred to accumulated profits (losses).

As at 31st March, 2009, the Company had outstanding 19,000,000 warrants which would be expired on 1st August, 2009. Exercise in full of such warrants would result in the issue of approximately 19,000,000 additional ordinary shares at HK$1.06 each.

26. 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.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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 38,376,320 shares, representing approximately 10% of the issued share capital of the Company, as at the date of the approval of the refreshment of Scheme mandate limit.

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

All options granted shall be accepted within 21 days and have taken effect when the duplicate letter comprising acceptance of the options within 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 HK$	Number of share options At 1.4.2007	Granted	Lapsed (Note)	At 31.3.2008	Granted	At 31.3.2009
1. Directors									
Ms. Li Mei Lin	17.9.2007	17.9.2007 to 16.9.2010	0.77	–	3,100,000	–	3,100,000	–	3,100,000
Mr. Li Man Shun	26.7.2007	26.7.2007 to 25.7.2010	1.04	–	2,380,000	–	2,380,000	–	2,380,000
Mr. Li Man Ching	26.7.2007	26.7.2007 to 25.7.2010	1.04	–	3,830,000	–	3,830,000	–	3,830,000
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
				1,933,200	9,310,000	–	11,243,200	–	11,243,200

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Category	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options At 1.4.2007	Granted	Lapsed (Note)	At 31.3.2008	Granted	At 31.3.2009
2. Employees in aggregate	2.11.2002	2.11.2002 to 1.11.2012	0.51	11,599,200	–	–	11,599,200	–	11,599,200
	17.9.2007	17.10.2007 to 16.3.2009	0.83	–	11,400,000	(11,400,000)	–	–	–
	2.4.2008	2.4.2008 to 1.4.2011	0.77	–	–	–	–	3,100,000	3,100,000
				11,599,200	11,400,000	(11,400,000)	11,599,200	3,100,000	14,699,200
				13,532,400	20,710,000	(11,400,000)	22,842,400	3,100,000	25,942,400

Note: Share options were lapsed upon the disposal of a subsidiary newly set up.

During the year ended 31st March, 2009, options to subscribe for a total of 3,100,000 shares of the Company were granted on 2nd April, 2008. The estimated fair value of the options granted was HK$787,000 (2008: HK$5,522,000). The share options are vested upon the grant date.

The fair value was calculated using the Black-Scholes Option pricing model. The inputs into the model were as follows:

	2nd April, 2008	26th July, 2007	17th September, 2007	
Closing share price at date of grant	HK$0.68	HK$1.04	HK$0.76	HK$0.76
Exercise price	HK$0.77	HK$1.04	HK$0.77	HK$0.83
Expected volatility	91.96%	62.00%	76.33%	103.04%
Expected life	1.5 years	1.5 years	1.5 years	0.75 years
Risk-free rate	1.26%	4.14%	3.85%	3.81%
Expected dividend yield	–	–	–	–
Fair value per option	HK$0.254	HK$0.325	HK$0.27	HK$0.23

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous trading days which equivalent to the assumed life of the share option. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non transferability, exercise restrictions and behavioral considerations.

The Black-Scholes Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Company recognised a total expense of HK$787,000 (2008: HK$5,522,000) for the year ended 31st March, 2009 in relation to share options granted by the Company.

27. PLEDGE OF ASSETS

At 31st March, 2008 certain of the Group's buildings with an aggregate carrying amount of HK$2,183,000, held-to-maturity investments of HK$7,800,000, and bank deposit of HK$4,000,000 were pledged to banks as securities for general banking facilities granted to the Group. All of those Group's buildings and held-to-maturity investments were released during the year and only bank deposit of HK$4,000,000 was still pledged as at 31st March, 2009.

28. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Capital expenditures in respect of acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements	–	72

29. OPERATING LEASES

The Group as lessee

The Group paid minimum lease payments of HK$2,179,000 (2008: HK$2,074,000) 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:

	2009	2008
	HK$'000	*HK$'000*
Within one year	2,021	1,978
In the second to fifth year inclusive	6,605	6,687
Over five years	12,139	13,360
	20,765	22,025

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 BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme 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, up to maximum of HK$1,000 per employee, to the scheme, which contribution is matched by employees.

30. RETIREMENT BENEFIT PLANS (continued)

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

The total cost charged to the consolidated income statement of HK$1,405,000 (2008: HK$986,000) represents contributions payable to these schemes by the Group recognised.

31. RELATED PARTY TRANSACTION DISCLOSURES

Other than the emoluments paid to the directors of the Company as disclosed in note 12, who are also considered as the key management of the Group, the Group has not entered into any other significant related party transaction.

32. BALANCE SHEET OF THE COMPANY

	NOTE	**2009** **HK$'000**	2008 HK$'000
Total assets		**288,294**	333,642
Total liabilities		**(827)**	(719)
		287,467	332,923
Capital and reserves			
Share capital		**38,376**	38,376
Reserves	(i)	**249,091**	294,547
		287,467	332,923

32. BALANCE SHEET OF THE COMPANY (continued)

Note:

(i) Reserves

	Share premium	Contributed surplus	Warrant reserve	Share option reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2007	129,781	153,400	–	–	8,779	291,960
Loss for the year	–	–	–	–	(6,542)	(6,542)
Issue of warrants	–	–	3,800	–	–	3,800
Expenses incurred in connection with the issue of warrants	–	–	(193)	–	–	(193)
Recognition of equity-settled share-based payments	–	–	–	5,522	–	5,522
Lapse of share options	–	–	–	(2,668)	2,668	–
At 31st March, 2008	129,781	153,400	3,607	2,854	4,905	294,547
Loss for the year	–	–	–	–	(46,243)	(46,243)
Expiration of warrants	–	–	(1,803)	–	1,803	–
Recognition of equity-settled share-based payments	–	–	–	787	–	787
At 31st March, 2009	129,781	153,400	1,804	3,641	(39,535)	249,091

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 utilised on bonus issue of shares plus the credit arising from the capital reduction in 2001.

33. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries of the Company at 31st March, 2009 and 2008 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%	Inactive
Gold Sleeve Limited	British Virgin Islands ("BVI")/ Hong Kong	US$50,000	100%	Inactive
Kwong Hing Knitting Fabric Trading Co. Limited	Hong Kong	HK$1,000,000	100%	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/PRC	MOP1,000,000	100%	Sale of knitted fabric and dyed yarns

33. PARTICULARS OF SUBSIDIARIES (continued)

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
Sano Trading Limited	BVI	US$100	100%	Investment holding
Wincast Ltd.	BVI	US$1	100%	Investment holding
Winscope Limited	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

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,				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue from continuing and discontinued operations	528,327	405,347	324,336	287,765	**235,865**
Profit (loss) before taxation	3,554	(17,817)	(23,519)	(37,546)	**(42,609)**
Income tax (expense) credit	(551)	2,818	1,963	–	**–**
Profit (loss) for the year	3,003	(14,999)	(21,556)	(37,546)	**(42,609)**
Attributable to:					
Equity holders of the Company	1,300	(14,662)	(21,556)	(37,546)	**(42,609)**
Minority interests	1,703	(337)	–	–	**–**
	3,003	(14,999)	(21,556)	(37,546)	**(42,609)**

ASSETS AND LIABILITIES

	As at 31st March,				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	473,107	442,095	399,727	375,201	**328,566**
Total liabilities	(79,595)	(62,521)	(38,758)	(34,740)	**(28,981)**
	393,512	379,574	360,969	340,461	**299,585**
Attributable to:					
Equity holders of the Company	393,175	379,574	360,969	340,461	**299,585**
Minority interests	337	–	–	–	**–**
	393,512	379,574	360,969	340,461	**299,585**