KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)

Annual Report **2010**

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
Lim Beng Kim, Lulu

Non-Executive Director

Chen Chou Mei Mei

Independent Non-Executive Directors

Tsui Wing Yin
So Kin Wah
Lee Pui Shing
Chong Lee Chang
Chan Cheong Yee

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

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

PRINCIPAL BANKERS

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, 2010.

RESULTS

For the year ended 31st March, 2010, the Group recorded a turnover of approximately HK$159,036,000 representing a decrease 32.6% compared to that of last year, and gross profit is only approximately HK$9,029,000 which represented decrease of approximately 21.7% compared to that of last year. Consequently, the Group recorded a net loss of approximately HK$4,573,000 for the year.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31st March, 2010.

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$159,036,000 representing a decrease of 32.6% as compared to that of last year. The production costs has increased markedly because of rise in price of yarn, dyed material, and salary and wages in China. The impact of production cost increase was reduced by the stringent cost control measures which had delivered a positive impact to the Group. Consequently, the Group's gross margin was slightly improved to 5.7% from 4.9% of last year despite write-down of inventories of approximately HK$1,919,000 has been included in the cost of sales. Moreover, a bad debt provision of approximately HK$3,824,000 included in other gains and losses, and impairment loss on property, plant and equipment of approximately HK$2,571,000 included in the other gains and losses have been made after board prudent consideration. Besides, an acquisition cost for the transactions as disclosed in the circular dated 26th March, 2010 of HK$2,335,000 has also been charged and booked in the administrative costs. However, the Group recorded a favourable valuation adjustment of approximately HK$20,834,000 on the fair value changes on the financial instruments included in the other gains and losses because of the recovery of the worldwide financial market. As a result, the Group recorded a net loss of approximately HK$4,573,000 this year.

Chairman's Statement

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$492,000 in property, plant and equipment.

PROSPECTS

Looking forward, the worse worldwide economic conditions and the high production costs resulting from price increase in yarn, dyed material, 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.

On 17th November, 2009, the Group has entered into two acquisition agreements pursuant to which the Group conditionally agreed to purchase a coal mining company and a shipping company from independent parties, the acquisitions enable the Group to broaden its source of income by diversifying its business to include mining of mineral resources and vessel-chartering business, and acquire expertise in operating the coal mining business and vessel business. The Company therefore believes that the acquisitions offer the Group a good opportunity to diversify into businesses with good prospect, to enhance the Group's income stream and the overall profitability, and to maintain the Group's growth momentum. The details of these acquisitions were disclosed on the announcement dated 27th November, 2009, and the circular dated 26th March, 2010, the acquisitions are approved by the shareholders in the special general meeting held on 21st April, 2010, and completed on 4th June, 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2010, the Group's shareholders' equity amounted to HK$298,216,000, while total indebtedness to financial institutes amounted to approximately HK$30,169,000, financial assets of approximately HK$20,910,000, and cash on hand amount to approximately HK$159,115,000. The Group's financial institute's indebtedness to equity ratio is only 0.1. Current ratio is 4.9. 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.

As at 31st March, 2010, 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 risks from U.S dollar and Chinese Renminbi. The board manages it foreign exchange risks by performing review and monitoring its exchange exposure. The Group will consider using forward currency contracts as a tool to mange and reduce such risk

TREASURY POLICIES

The Group had a formal treasury policy for the period under review. Pursuant to such treasury policy, the Group may invest its surplus funds in equity securities, equity-related securities and products, forex-related products, cash deposits, fixed deposits, trusts, unit trusts, mutual funds or debt instruments issued by listed or unlisted enterprises so as to preserve the value of the Group's funds and/or achieve capital appreciation. The Directors or such committees or person as the Board may authorize from time to time shall be responsible for carrying out and implementation of the treasury policy, and they may seek professional investment advice in carrying out their duties.

PLEDGE OF ASSETS

At 31st March, 2010, bank deposit of HK$4,000,000 and restricted bank deposit of HK$22,891,000 were pledged to bank as securities for general banking facilities granted to the Group and as collateral for a secured bank loan.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's largest customer and five largest customers taken together accounted for approximately 14.0% and 40.7% respectively.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 13.7% and 42.9% 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, 16th July, 2010

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Li Man Ching, aged 51, 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 50, 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 46, 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 47, 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.

Ms. Lim Beng Kim, Lulu, aged 51, is the general manager of Agritrade International Pte Ltd. Ms. Lim graduated with a Bachelor degree in Business Administration from the National University of Singapore and has over 30 years experience in accounting and financial management.

Non-Executive Director

Mrs. Chen Chou Mei Mei, aged 61, graduated with a Bachelor of Arts degree from the University of Colorado in the United States of America and has over 30 years experience in investments, in particular, property related investments. Mrs. Chen also holds directorship in (i) Winsor Properties Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as an executive director; and (ii) Emcom International Limited, a company listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange as an independent non-executive director.

DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Independent Non-executive Directors

Mr. Tsui Wing Yin, aged 49, 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 51, 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 46, 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.

Mr. Chong Lee Chang, aged 51, Malaysian, graduated with a BA (Honours) degree in law from the Manchester Metropolitan University (formerly known as Manchester Polytechnic) in 1982. He was admitted to the Honourable Society of Lincoln's Inn, London, in 1982 and was enrolled as a barrister at law in 1983. In 1984, he was admitted as an advocate and solicitor of the High Court of Malaya and is currently holding a legal practicing certificate to practice law in Malaysia. Mr. Chong has more than 25 years of experience in legal practice in Malaysia and is a senior partner of a Kuala Lumpur based law firm, Messrs. LC Chong & Co. His legal experience has included advising various companies from Asia and United Kingdom, including steel millers from China. He has served as an executive director of Antah Holdings Berhad, a public company listed on the main board of Bursa Malaysia and also held directorship in Permanis Sdn. Bhd., the Malaysian franchise holder and bottler of Pepsi-Cola and Seven-up and he was the executive director of Seven Eleven Convenience stores in Malaysia from 2000 to 2002. From May 2005 to February 2009, Mr. Chong has also served as a non-executive director of Midwest Corporation Limited, a public company that was previously listed on the Australian Stock Exchange, and is engaged in mining, exploring and processing iron ore. Mr. Chong currently holds directorship in (i) CVM Minerals Limited as an independent non-executive director, a company listed on the Stock Exchange and (ii) Emcom International Limited as a non-executive director, a company listed on GEM. Mr. Chong is also the managing director of Guangxi Xin Wei Hotel Management Co., Ltd. (廣西鑫偉酒店管理有限公司), a private foreign investment company in the People's Republic of China which owns the Naning Marriott Hotel (南寧鑫偉萬豪酒店).

DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Independent Non-executive Directors (continued)

Mr. Chan Cheong Yee, aged 46, holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the SFO to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for 20 years. He is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan also holds directorship in (i) China Innovation Investment Limited, a listed investment company under Chapter 21 of the Listing Rules as an executive director; and (ii) Emcom International Limited, a company listed on GEM as an executive director.

Management

Mr. Kwan Chui Shui, aged 38, 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 50, 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 of the Company for the year ended 31st March, 2010.

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, 2010 are set out in the consolidated statement of comprehensive income on page 21 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, 2010 amounted to HK$113,240,000 (2009: HK$113,865,000) comprised contributed surplus of HK$153,400,000 (2009: HK$153,400,000) and deficit of HK$40,160,000 (2009: HK$39,535,000).

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
Ms. Lim Beng Kim, Lulu (appointed on 4th June, 2010)

Non-executive director:

Mrs. Chen Chou Mei Mei (appointed on 25th June, 2010)

Independent non-executive directors:

Mr. Tsui Wing Yin
Mr. So Kin Wah
Mr. Lee Pui Shing
Mr. Chong Lee Chang (appointed on 25th June, 2010)
Mr. Chan Cheong Yee (appointed on 25th June, 2010)

In accordance with Articles 101 and 110(A) of the Company's Bye-laws, Mr. Li Man Shun, Mr. Fung Chi Ki, Ms. Lim Beng Kim, Lulu, Mrs. Chen Chou Mei Mei, Mr. Tsui Wing Yin, Mr. So Kin Wah, Mr. Lee Pui Shing, Mr. Chong Lee Chang and Mr. Chan Cheong Yee will retire at the forthcoming annual general meeting. Ms. Lim Beng Kim, Lulu, Mrs. Chen Chou Mei Mei, Mr. Chong Lee Chang and Mr. Chan Cheong Yee shall offer themselves for re-election, and Mr. Li Man Shun, Mr. Fung Chi Ki, Mr. Tsui Wing Yin, Mr. So Kin Wah and Mr. Lee Pui Shing decided not to 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

Mrs. Chen Chou Mei Mei, Mr. Chong Lee Chang and Mr. Chan Cheong Yee have entered into service contracts with the Company for a period of three years commencing from 25th June, 2010. All their appointments are subject to the retire requirement according to the Company's Bye-laws and shall continue thereafter, subject to termination by either party giving at least one month 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, 2010, 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 as 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	175,928,000	3,100,000	179,028,000	46.2%
Mr. Li Man Shun	175,928,000	2,380,000	178,308,000	46.0%
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 175,928,000 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, 2010.

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 or 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 or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 the Securities and Futures Ordinance discloses no person as having a notifiable interests or short positions in the issued share capital of the Company as at 31st March, 2010.

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, 2010 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").

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, 2010, the Group had approximately 500 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2010.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 33 to the consolidated financial statements.

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, 16th July, 2010

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2010 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").

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.

During the year, 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.

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
Ms. Lim Beng Kim, Lulu (appointment on 4th June, 2010)

Non-executive Director:
Mrs. Chen Chou Mei Mei (appointment on 25th June, 2010)

Independent non-executive Directors:
Mr. Tsui Wing Yin
Mr. So Kin Wah
Mr. Lee Pui Shing
Mr. Chong Lee Chang (appointment on 25th June, 2010)
Mr. Chan Cheong Yee (appointment on 25th June, 2010)

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

The Board had met nine 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)*	9/9
Ms. Li Mei Lin *(Deputy Chairman and Chief Executive Officer)*	9/9
Mr. Li Man Shun	9/9
Mr. Fung Chi Ki	9/9
Independent non-executive Directors	
Mr. Tsui Wing Yin	9/9
Mr. So Kin Wah	8/9
Mr. Lee Pui Shing	9/9

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 three 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$800,000. Deloitte Touche Tohmatsu are also the tax advisers of the Group, the services charges for the year is HK$46,500.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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

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

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

Deloitte.
德勤

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

We have audited the consolidated financial statements of Kwong Hing International Holdings (Bermuda) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 73, which comprise the consolidated statement of financial position as at 31st March, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, 2010 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
16th July, 2010

Consolidated Statement of Comprehensive Income

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	6	**159,036**	235,865
Cost of sales		**(150,007)**	(224,334)
Gross profit		**9,029**	11,531
Other income		**1,982**	3,024
Other gains and losses	8	**16,084**	(27,499)
Distribution and selling expenses		**(3,635)**	(4,681)
Administrative expenses		**(26,075)**	(24,983)
Finance costs	9	**(50)**	(1)
Loss before tax		**(2,665)**	(42,609)
Income tax expense	10	**(1,908)**	–
Loss for the year, attributable to owners of the Company	11	**(4,573)**	(42,609)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**1,232**	946
Total comprehensive expense for the year, attributable to owners of the Company		**(3,341)**	(41,663)
Loss per share – Basic and diluted	13	**HK(1.2) cents**	HK(11.1) cents

Consolidated Statement of Financial Position

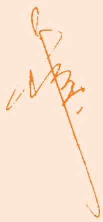
At 31st March, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	76,707	92,166
Prepaid lease payments	15	1,868	1,926
		78,575	94,092
Current assets			
Inventories	17	54,670	57,857
Trade and other receivables	18	40,246	40,679
Bills receivable	18	332	1,854
Prepaid lease payments	15	58	58
Held-to-maturity investments	16	–	15,600
Financial assets at fair value through profit or loss	20	20,910	31,361
Restricted bank deposit	19	22,891	1,896
Pledged bank deposit	19	4,000	4,000
Bank balances and cash	19	132,224	81,169
		275,331	234,474
Current liabilities			
Trade and other payables	22	20,184	21,493
Bills payable – secured	22	10,244	1,463
Taxation payable		5,337	3,429
Derivative financial instruments	21	–	2,596
Secured bank borrowing	23	19,925	–
		55,690	28,981
Net current assets		219,641	205,493
		298,216	299,585

Consolidated Statement of Financial Position

	NOTES	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	25	**38,763**	38,376
Reserves		**259,453**	261,209
		298,216	299,585

The consolidated financial statements on pages 21 to 73 were approved and authorised for issue by the Board of Directors on 16th July, 2010 and are signed on its behalf by:



CHAIRMAN

DEPUTY CHAIRMAN

Consolidated Statement of Changes in Equity For the year ended 31st March, 2010

	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	Retained profits (deficit) HK$'000	Total HK$'000
At 1st April, 2008	38,376	129,781	122,652	3,607	12,795	2,854	30,396	340,461
Loss for the year	–	–	–	–	–	–	(42,609)	(42,609)
Other comprehensive income for the year								
Exchange differences arising on translation of foreign operations	–	–	–	–	946	–	–	946
Total comprehensive income (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
Loss for the year	–	–	–	–	–	–	(4,573)	(4,573)
Other comprehensive income for the year								
Exchange differences arising on translation of foreign operations	–	–	–	–	1,232	–	–	1,232
Total comprehensive income (expense) for the year	–	–	–	–	1,232	–	(4,573)	(3,341)
Expiration of warrants (note 25)	–	–	–	(1,804)	–	–	1,804	–
Issue of shares	387	1,585	–	–	–	–	–	1,972
At 31st March, 2010	38,763	131,366	122,652	–	14,973	3,641	(13,179)	298,216

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

Consolidated Statement of Cash Flows

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(2,665)	(42,609)
Adjustments for:		
Depreciation of property, plant and equipment	13,783	15,659
Finance costs	50	1
(Gain) loss on fair value changes on investments held-for-trading	(18,948)	25,412
(Gain) loss on fair value changes on financial assets designated at FVTPL	(1,815)	1,293
(Gain) loss on fair value changes on derivative financial instruments	(71)	2,596
Impairment loss on trade and other receivables	3,824	580
Impairment loss on property, plant and equipment	2,571	–
Write-down of inventories	1,919	–
Interest income	(597)	(1,724)
Gain on disposal of property, plant and equipment	(1,645)	(1,656)
Share-based payment expenses	–	787
Release of prepaid lease payments	58	58
Operating cash flows before movements in working capital	(3,536)	397
Decrease in inventories	1,268	45,041
Increase in trade and other receivables	(3,391)	(4,790)
Decrease (increase) in bills receivable	1,522	(1,406)
Decrease (increase) in investments held-for-trading	26,875	(23,070)
Decrease in financial assets designated at fair value through profit or loss	4,339	4,599
Increase in derivative financial instruments	(2,525)	(1,293)
Decrease in trade and other payables	(1,309)	(4,167)
Increase (decrease) in bills payable	8,781	(265)
Cash generated from operations	32,024	15,046
Income taxes refund	–	635
Interest paid	(50)	(1)
NET CASH FROM OPERATING ACTIVITIES	31,974	15,680

Consolidated Statement of Cash Flows

For the year ended 31st March, 2010

	2010 *HK$'000*	2009 *HK$'000*
INVESTING ACTIVITIES		
Proceeds from held-to-maturity investments	15,600	–
Proceeds on disposal of property, plant and equipment	1,688	2,087
Interest received	597	1,724
Increase in restricted bank deposit	(20,995)	(1,896)
Purchase of property, plant and equipment	(492)	(7,231)
NET CASH USED IN INVESTING ACTIVITIES	(3,602)	(5,316)
FINANCING ACTIVITIES		
New bank loans raised	19,925	–
Proceeds from issue of shares upon exercise of share options	1,972	–
Repayments of obligations under finance leases	–	(134)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	21,897	(134)
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,269	10,230
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	81,169	70,349
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	786	590
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	132,224	81,169

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 new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or become effective.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Hong Kong (International Financial Reporting Interpretations Committee – Interpretation ("HK(IFRIC) – INT") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation

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

HK(IFRIC) – INT 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except for HKAS 1 (Revised 2007), HKFRS 8 and HKFRS 7 (Amendments), the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in changes in presentation and disclosure of segment reporting (see note 7).

The Group early adopted amendment to HKFRS 8 as part of the Improvements to HKFRSs issued in 2009. The amendment clarifies that an entity is required to report a measure of total assets for each reportable segment only if such amount is regularly provided to the chief operating decision makers for resource allocation and performance assessment. Accordingly, segment assets are not presented as they are not provided to the chief operating decision makers.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st April, 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). This change in accounting policy has no impact on the reported results and financial position of the Group for the current or prior accounting periods.

Amendment to HKAS 1 Presentation of Financial Statements

As part of Improvements to HKFRSs 2008, HKAS 1 has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* should be presented as current or non-current. The amendment requires derivatives that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement date. The amendment has had no impact on the reported results and financial position of the Group for the current or prior accounting periods.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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

2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

3 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

4 Effective for annual periods beginning on or after 1st January, 2010

5 Effective for annual periods beginning on or after 1st February, 2010

6 Effective for annual periods beginning on or after 1st July, 2010

7 Effective for annual periods beginning on or after 1st January, 2011

8 Effective for annual periods beginning on or after 1st January, 2013

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 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "*Financial Instruments*" introduces new requirements for the Group's classification and measurement of financial assets and will be effective from 1st April, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements 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 of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance. The significant 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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 on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

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 items 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 profit or loss in the period 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.

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 statement of financial position 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.

Operating lease payments are recognised as an expense 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 generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

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 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 to the net carrying amount on initial recognition.

Interest 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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. 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, restricted bank deposit, pledged bank deposit 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 the end of each reporting period. 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 affected.

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, 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.

For financial assets measured at amortised cost, 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 loss 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.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The 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 (including all fees 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities (including secured bank borrowing, 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 retained profits/deficit.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

Derivative financial instruments

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

Impairment losses on assets

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1st April, 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss 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).

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 (deficit).

Share options granted to employees of the Group on or before 7th November, 2002

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 profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value through profit or loss are included in profit or loss for the period.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

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 debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which represents the secured bank borrowing disclosed in note 23, and equity attributable to owners of the Company, comprising issued share capital and reserves.

4. CAPITAL RISK MANAGEMENT (continued)

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

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**184,192**	121,229
Held-to-maturity investments	**–**	15,600
Fair value through profit or loss		
Held-for-trading	**20,910**	28,837
Designated as at FVTPL	**–**	2,524
Financial liabilities		
Amortised cost	**42,289**	14,527
Derivative financial instruments	**–**	2,596

(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, secured bank borrowing 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.

5. FINANCIAL INSTRUMENTS (continued)

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

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to certain of its floating-rate bank balances. The Group is also exposed to fair value interest rate risk related to the fixed rate bank deposits, fixed-rate bank borrowing (see note 23 for details of the borrowing) and held-to-maturity investments. 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 of floating-rate bank balances as the directors consider the amount is insignificant.

Other price risk

The Group is exposed to equity price risk arising from held-for-trading investments. 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 Exchanges 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.

As at 31st March, 2009, it was also exposed to fluctuation in foreign exchange rates (mainly RMB/HKD) in relation to its foreign currency forward contracts and to equity price risk arising from its investments in equity-linked notes and equity option accumulators. However, no such risk is expected at 31st March, 2010 as these contracts and investments were matured/realised during the year. No sensitivity analysis was presented for such risks as at 31st March, 2009 as the directors consider the amounts involved were insignificant.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks attributable to the Group's listed equity investments quoted on the Stock Exchanges in Hong Kong and the PRC, assuming all other variables were held constant, at the reporting date.

If the equity prices of the respective held-for-trading investments had been 5% (2009: 5%) higher/lower, the Group's loss after tax for the year ended 31st March, 2010 would decrease/increase by HK$873,000 (2009: HK$1,204,000) as a result of the changes in fair value of held-for-trading investments.

5. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

As at 31st March, 2010, 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 statement of financial position.

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. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk by geographical location, which is mainly in Hong Kong and accounted for 89% (2009: 92%) of the total trade receivable as at 31st March, 2010, 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 management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms as well as derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of the financial instruments based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

5. FINANCIAL INSTRUMENTS (continued)

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

2010

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31st March, 2010 HK$'000
Non-derivative financial liabilities						
Trade payables	–	3,417	4,134	4,569	12,120	12,120
Bills payable	–	10,244	–	–	10,244	10,244
Secured bank borrowing	0.6787	–	–	20,059	20,059	19,925
		13,661	4,134	24,628	42,423	42,289

2009

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31st March, 2009 HK$'000
Non-derivative financial liabilities						
Trade payables	–	7,617	3,124	2,323	13,064	13,064
Bills payable	–	1,463	–	–	1,463	1,463
		9,080	3,124	2,323	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)	(1,950)
– outflow	–	2,276	1,145	919	4,340	4,270
		1,126	658	574	2,358	2,320

5. FINANCIAL INSTRUMENTS (continued)

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

The undiscounted gross cash inflows/outflows on the equity option accumulators were determined using market prices at 31st March, 2009 and number of the underlying equity securities obligated to purchase over the remaining time to maturity. Please see note 21 for details.

The undiscounted gross cash outflows on the equity option accumulators were determined using strike price at 31st March, 2009 and number of the underlying equity securities obligated to purchase over the remaining time to maturity. Please see note 21 for details.

(c) Fair value

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

- the fair values 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 are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

(d) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

5. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's listed equity securities investment of HK$20,910,000 (note 20) were categorised under level 1 fair value measurement.

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 are the manufacture and sale of knitted fabric and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services.

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers ("CODM"), representing the executive directors of the Group, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments based on geographical location of customers.

The CODM of the Group regularly review revenue and profit of the Group as a whole for the purposes of performance assessment and resource allocation. Additionally, information about segment assets and liabilities is not provided to CODM. As no other discrete financial information is available for assessment of performance of distinct geographical locations of customers, no segment information is presented under HKFRS 8.

7. SEGMENT INFORMATION (continued)

Entity-wide disclosures

Revenue from major product

The Group's revenue arises from manufacturing and sale of knitted fabrics and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services.

Geographical location of non-current assets

The Group's operations are located in Hong Kong and the PRC. The information about the Group's non-current assets by geographical location are detailed below:

	For the year ended	
	31.3.2010	31.3.2009
	HK$'000	*HK$'000*
Hong Kong	**21,310**	24,418
the PRC	**57,265**	69,674
	78,575	94,092

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	For the year ended	
	31.3.2010	31.3.2009
	HK$'000	*HK$'000*
Customer A	**22,288**	[1]
Customer B	**21,040**	18,412
Customer C	[1]	26,474
	43,328	44,886

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER GAINS AND LOSSES

	2010 *HK$'000*	2009 *HK$'000*
Gain (loss) on fair value changes on investments held-for-trading	18,948	(25,412)
Gain (loss) on fair value changes on financial assets designated at FVTPL	1,815	(1,293)
Gain (loss) on fair value changes on derivative financial instruments	71	(2,596)
Impairment loss on trade and other receivables	(3,824)	(580)
Impairment loss on property, plant and equipment (note 14)	(2,571)	–
Gain on disposal of property, plant and equipment	1,645	1,656
Bad debt recovered	–	726
	16,084	(27,499)

9. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interest on borrowings wholly repayable within five years:		
Secured bank borrowing	50	–
Finance leases	–	1
	50	1

10. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit. No provision for Hong Kong Profits Tax had been made for the year ended 31st March, 2010 and 2009 as the Group had incurred tax loss for both years.

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

10. INCOME TAX EXPENSE (continued)

Income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Loss before tax	(2,665)	(42,609)
Tax credit at the domestic income tax rate of 16.5% (2009: 16.5%)	(440)	(7,030)
Tax effect of expenses not deductible for tax purpose	2,600	1,962
Tax effect of income not taxable for tax purpose	(99)	(533)
Tax effect of tax losses not recognised	–	6,358
Utilisation of tax loss previously not recognised	(2,061)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(757)
Underprovision in prior years	1,908	–
Income tax expense for the year	1,908	–

Details of deferred taxation are set out in note 24.

In March, 2009, the Inland Revenue Department of Hong Kong (the "IRD") issued a letter to a subsidiary of the Company to demand for information in respect of the prescribed fixed assets expenditure claims for certain of its plant and machineries (the "PFA Claims") for the years of assessment from 1998/1999 to 2006/2007. In April, 2010, the IRD issued an assessment demanding final tax charging approximately HK$1.2 million for the year of assessment of 2003/2004 on the basis that the above mentioned claims were disallowed.

During the year, the management estimated the total underprovision of Profits Tax using the same basis to disallow the PFA Claims. Except for the years of assessment 2003/2004 and 2004/2005, the assessable profits for the prior years were wholly absorbed by the tax losses brought forward. The underprovision for the years of assessment 2003/2004 and 2004/2005 were estimated to be HK$1.2 million and HK$0.7 million, respectively, and were recognised during the year.

11. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Staff costs, including directors' emoluments:		
– Salaries and other benefits	**29,533**	35,281
– Retirement benefit scheme contributions	**1,691**	1,405
– Share-based payment expenses	**–**	787
Total staff costs	**31,224**	37,473
Auditor's remuneration	**800**	850
Depreciation of property, plant and equipment	**13,783**	15,659
Release of prepaid lease payments	**58**	58
Cost of inventories recognised as an expense	**150,007**	224,334
Write-down of inventories (included in cost of sales) (Note)	**1,919**	–
and after crediting to other income:		
Interest income from banks	**434**	1,226
Interest income from held-to-maturity investments	**163**	498
Dividend income from investments held-for-trading	**1,000**	922

Note: During the year ended 31 March 2010, included in costs of inventories recognised as expense was write-down of inventories to net realisable values of approximately HK$1,919,000 (2009: nil).

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

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

2010

	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	932	–	–	–	5,507
Retirement benefit scheme contributions	12	16	–	12	–	–	–	40
Total emoluments	1,587	1,516	1,500	944	130	130	130	5,937

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 benefit scheme contributions	16	16	–	12	–	–	–	44
Total emoluments	1,591	1,516	1,500	936	130	130	130	5,933

* Being executive director

** Being independent non-executive director

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees

Of the five individuals with highest emoluments in the Group, 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:

	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	1,500	1,500
Retirement benefit scheme contributions	12	12
Share-based payment expenses	–	787
	1,512	2,299

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(4,573)	(42,609)
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	385,500	383,763

The computation of diluted loss per share for the year ended 31st March, 2010 and 2009 does not assume the exercise of the Company's share options and warrants as it would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1st April, 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
Exchange adjustments	–	1,159	32	31	1,222
Additions	–	–	3	489	492
Disposals	–	(15,499)	–	(989)	(16,488)
At 31st March, 2010	24,451	252,456	39,260	13,447	329,614
DEPRECIATION					
At 1st April, 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
Exchange adjustments	–	714	32	30	776
Provided for the year	489	10,182	1,802	1,310	13,783
Impairment loss	–	2,571	–	–	2,571
Eliminated on disposals	–	(15,456)	–	(989)	(16,445)
At 31st March, 2010	5,577	197,059	38,312	11,959	252,907
CARRYING AMOUNTS					
At 31st March, 2010	18,874	55,397	948	1,488	76,707
At 31st March, 2009	19,363	67,748	2,747	2,308	92,166

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 the estimated useful life of the buildings of 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 PRC.

During the year, certain plant and equipment were specifically identified to be impaired. Impairment loss of HK$2,571,000 (calculated by comparing carrying amount of the assets with the recoverable amount using fair value less cost to sell) has been recognised in respect of these assets. In addition, the directors conducted a review of the Group's other manufacturing assets (the recoverable amounts of which have been determined based on value in use) and no further impairment loss is considered necessary.

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:

	2010	2009
	HK$'000	*HK$'000*
Non-current asset	**1,868**	1,926
Current asset	**58**	58
	1,926	1,984

16. HELD-TO-MATURITY INVESTMENTS

	2010	2009
	HK$'000	*HK$'000*
Held-to-maturity investments – unlisted debt securities	–	15,600

At 31st March, 2009, held-to-maturity debt securities were measured at amortised cost less any impairment losses. Upon their maturity in June or November, 2009, the Group was repaid in full the investment cost plus the contractual interest rates which were carried at guaranteed coupons totalling approximately 10% of the initial offer price over the investment period. The effective interest rate ranged from 1.8% to 2.0% per annum.

The return of the investments linked to the performance of the Dow Jones Global Titans 50 index and a basket of shares, which was considered as an embedded derivative that was not closely related to the host debt contract. The fair value of the embedded derivative was negligible at 31st March, 2009.

The fair value of these investments including embedded derivative at 31st March, 2009 was approximately HK$15,280,000, which had been determined by reference to the price quoted by bank.

17. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Raw materials	40,844	40,691
Work in progress	13,826	17,166
	54,670	57,857

18. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2010 *HK$'000*	2009 *HK$'000*
Trade receivables	**29,863**	33,940
Impairment loss recognised	**(5,118)**	(1,630)
	24,745	32,310
Receivable from an investment broker on disposal of investments	**12,761**	3,786
Other receivables, deposits and prepayment	**2,740**	4,583
	40,246	40,679

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 allowance for doubtful debts, presented based on the invoice date at the reporting date.

	2010 *HK$'000*	2009 *HK$'000*
0 – 60 days	**19,448**	22,494
61 – 90 days	**3,129**	3,491
91 – 120 days	**913**	1,035
Over 120 days	**1,255**	5,290
	24,745	32,310

Before accepting any new customer, the Group will assess credit worthiness by customer. The customers are mostly the renowned international garment manufacturer, based on the past history, no recoverability problem is expected. Trade receivables that were neither past due nor impaired are customers 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 are debtors with aggregate carrying amount of HK$2,168,000 (2009: HK$6,325,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 120 days for both years.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
91 – 120 days	**913**	1,035
Over 120 days	**1,255**	5,290
	2,168	6,325

Bills receivable are aged within three months.

Movement in impairment loss recognised

	2010	2009
	HK$'000	*HK$'000*
Balance at the beginning of the year	**1,630**	2,402
Impairment loss recognised on trade receivables	**3,824**	580
Bad debt recovered	**–**	(726)
Amount written off as uncollectible	**(336)**	(626)
Balance at the end of the year	**5,118**	1,630

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. During the year ended 31st March, 2010, the Group recognised an impairment loss of HK$1,680,000 (2009: nil) in respect of a customer with whom the Group is under dispute for the settlement of the trade receivables. In the opinion of the directors, the possibility to recover such amount is remote.

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

Restricted bank deposit represents deposit placed in financial institution as collateral for entering into a secured bank loan granted to a subsidiary (2009: collateral for entering equity option accumulator contracts).

Pledged bank deposit represents deposit pledged to a bank to secure general short-term banking facilities granted to the subsidiaries. The pledged deposit carries fixed interest rate of 0.1% (2009: 2.9%) per annum.

Bank balances mainly represent fixed bank deposits with maturity less than three months. They carry interests at fixed rates which range from 0.01% to 0.3% (2009: 0.3% to 2.5%) per annum.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	HK$'000	*HK$'000*
Investments held-for-trading:		
Listed equity securities in:		
– Hong Kong	**16,046**	16,641
– PRC	**4,864**	12,196
	20,910	28,837
Financial assets designated at fair value through profit or loss:		
– Equity-linked notes	**–**	2,524
	20,910	31,361

The equity-linked notes represented notes with guaranteed coupon which were linked with Hong Kong listed equity securities with a predetermined strike price. it could receive principal with coupon if mandatory early redemption occurred. Each equity-linked notes held by the Group contained embedded derivatives. On initial recognition, the Group designated the entire equity-linked notes as financial assets at fair value through profit or loss. The equity-linked notes matured in October and November, 2009, at which time, the Group purchased the underlying equity securities at the strike price.

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

At the end of the reporting period, all financial assets at fair value through profit or loss were stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active markets. At 31st March, 2009, fair values of the equity-linked notes were determined based on the valuation provided by the respective issuing banks or financial institutions, which were 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

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Foreign currency forward contracts	–	–	–	(276)
Equity option accumulator contracts	–	–	–	(2,320)
	–	–	–	(2,596)

Major terms of the foreign currency forward contracts were 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

At 31st March, 2009, the Group had outstanding equity option accumulator contracts which matured in April, May and June, 2009.

The equity option accumulator contracts contained 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At each settlement date until the maturity of the equity option accumulator contracts, unless the contracts had been terminated (as described below), the Group held an obligation to buy the shares of the underlying equity securities at the strike price with leverage effect of the contracts. Likewise, the counterparty financial institution held an obligation to sell shares at the strike price.

The equity option accumulator contracts would be terminated prior to the maturity if the market price of the underlying equity securities on any date is higher than the predetermined knock-out price.

The equity option accumulator contracts were derivative financial instruments and were measured at fair value at end of the reporting period. The fair value was determined based on valuation provided by the counterparty financial institution, which was 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$12,120,000 (2009: HK$13,064,000).

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 – 60 days	**8,846**	9,820
61 – 90 days	**1,346**	1,247
Over 90 days	**1,928**	1,997
	12,120	13,064

The average credit period on purchases of goods is up to 90 days and certain suppliers grant longer credit period to the Group up to 120 days on case-by-case basis. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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

Bills payable are aged within three months.

Other payables represent accruals for the Group's operating expenses and advance payments from customers.

23. SECURED BANK BORROWING

	2010	2009
	HK$'000	*HK$'000*
Secured bank borrowing repayable within one year	**19,925**	–

The amount represents fixed-rate bank borrowing at 0.6787% (2009: Nil) per annum.

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, 2008	(1,704)	1,704	–
Credit (charge) to profit or loss	735	(735)	–
Effect of change in tax rate	97	(97)	–
At 31st March, 2009	(872)	872	–
(Charge) credit to profit or loss	(100)	100	–
At 31st March, 2010	(972)	972	–

24. DEFERRED TAXATION (continued)

At 31st March, 2010, the Group has unused tax losses of HK$40,803,000 (2009: HK$74,289,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$5,891,000 (2009: HK$5,285,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$34,912,000 (2009: HK$69,004,000) due to the unpredictability of future profit streams. At 31st March, 2010, the unused tax losses brought forward from previous years decreased by HK$21,601,000 on the basis that the prescribed fixed assets expenditure claims for certain of the Group's plant and machineries for the years of assessment from 1998/1999 to 2002/2003 and 2005/2006 to 2006/2007 was disallowed (note 10). 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, 2008, 31st March, 2009 and 31st March, 2010	5,000,000,000	500,000
Issued and fully paid:		
At 1st April, 2008 and 31st March, 2009	383,763,200	38,376
Exercise of share options	3,866,400	387
At 31st March, 2010	387,629,600	38,763

On 16th July, 2007, the Company had entered into two agreements with Emperor Securities Limited, pursuant to which, the Company issued 38,000,000 unlisted warrants at the price of HK$0.1 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 and 1st August, 2009, 19,000,000 and 19,000,000 warrants were expired, accordingly, amounts of HK$1,803,000 and HK$1,804,000, were transferred to retained profits (deficit) in the financial years ended 31st March, 2009 and 2010, respectively.

25. SHARE CAPITAL (continued)

On 19th October, 2009, as a result of the exercise of employees' share options under the Company's share option scheme, the Company allotted and issued 3,866,400 ordinary shares of HK$0.10 each for cash at the exercise price of HK$0.51 each per share.

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 are determined by the board of directors (the "Board") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "Participants"), to strive for future developments and expansion of the Group. The Scheme will be ending on 27th August, 2012.

Under the Scheme, the Board of the Company may grant options to Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) a price being the average of the closing prices of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer date and (iii) the nominal value of a share, subject to a maximum of 38,376,320 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 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.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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 1.4.2008	Granted	At 31.3.2009	Granted	Exercised	At 31.3.2010
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 Ching	26.7.2007	26.7.2007 to 25.7.2010	1.04	3,830,000	–	3,830,000	–	–	3,830,000
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. Fung Chi Ki	2.11.2002	2.11.2002 to 1.11.2012	0.51	1,933,200	–	1,933,200	–	–	1,933,200
				11,243,200	–	11,243,200	–	–	11,243,200
2. Employees in aggregate	2.11.2002	2.11.2002 to 1.11.2012	0.51	11,599,200	–	11,599,200	–	(3,866,400)	7,732,800
	2.4.2008	2.4.2008 to 1.4.2011	0.77	–	3,100,000	3,100,000	–	–	3,100,000
				11,599,200	3,100,000	14,699,200	–	(3,866,400)	10,832,800
				22,842,400	3,100,000	25,942,400	–	(3,866,400)	22,076,000

In respect of the share options exercised during the year, the weighted average share price at the date of exercise was HK$0.71.

On 2nd April, 2008, options to subscribe for a total of 3,100,000 shares of the Company were granted. The estimated fair value of the options granted was HK$787,000. The share options were vested upon the grant date.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

	2nd April, 2008
Closing share price at date of grant	HK$0.68
Exercise price	HK$0.77
Expected volatility	91.96%
Expected life	1.5 years
Risk-free rate	1.26%
Expected dividend yield	–
Fair value per option	HK$0.254

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 had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

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

27. PLEDGE OF ASSETS

At 31st March, 2010, bank deposit of HK$4,000,000 (2009: HK$4,000,000) and restricted bank deposit of HK$22,891,000 (2009: HK$1,896,000 as collateral for entering equity option accumulator contracts) were pledged to banks as securities for general banking facilities granted to the Group and as collateral for a secured bank loan, respectively.

28. OPERATING LEASES

The Group as lessee

The Group paid minimum lease payments of HK$2,295,000 (2009: HK$2,179,00) under operating leases in respect of rented premises.

At the end of the reporting period, 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:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,768**	2,021
In the second to fifth year inclusive	**6,372**	6,605
Over five years	**10,545**	12,139
	18,685	20,765

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.

29. 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.

The employees of the PRC subsidiary of the Company 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 statement of comprehensive income of HK$1,691,000 (2009: 1,405,000) represents contributions payable to these schemes by the Group recognised.

30. 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.

The remuneration of key management, representing the directors of the Company, during the year was as follows:

	2010 *HK$'000*	2009 *HK$'000*
Short-term benefits	5,897	5,889
Post-employment benefits	40	44
	5,937	5,933

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2010 *HK$'000*	2009 *HK$'000*
Total assets		289,832	288,294
Total liabilities		2,822	827
		287,010	287,467
Capital and reserves			
Share capital		38,763	38,376
Reserves	(i)	248,247	249,091
		287,010	287,467

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

(i) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000	Share option reserve HK$'000	Retained profits (deficit) HK$'000	Total HK$'000
At 1st April, 2008	129,781	153,400	3,607	2,854	4,905	294,547
Loss and comprehensive expenses 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
Loss and comprehensive expenses for the year	–	–	–	–	(2,429)	(2,429)
Expiration of warrants	–	–	(1,804)	–	1,804	–
Issue of shares	1,585	–	–	–	–	1,585
At 31st March, 2010	131,366	153,400	–	3,641	(40,160)	248,247

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.

32. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries of the Company at 31st March, 2010 and 2009 were as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued 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 b)	100%	Inactive
Gold Sleeve Limited	British Virgin Islands ("BVI")/ Hong Kong	US$50,000	100%	Sale of knitted fabric and dyed yarns
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")	PRC	HK$139,764,000 (Note b)	100%	Provision of dyeing, bleaching, setting and finishing services
Real Connection Limited	BVI	US$50,000	100%	Investment holding
Sinoplex Limited ("Sinoplex")	BVI	US$75	100%	Investment holding
Unite Might Investment Limited	Hong Kong	HK$500,000	100%	Provision of administration services
Sano Macao Commercial Offshore Company Limited	Macau	MOP1,000,000	100%	Sale of knitted fabric and dyed yarns

32. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued 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
Tiger Courage Limited	BVI	US$1	100%	Inactive
Fair Cypress Limited	BVI	US$1	100%	Inactive

Notes:

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

b. 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 ended 31st March, 2010 and 2009 or at any time during the two financial years.

33. EVENT AFTER THE REPORTING PERIOD

On 17th November, 2009, Ng Say Pek and Ng Xinwei (the "Ship Vendor"), Fair Cypress Limited (the "FC"), a wholly owned subsidiary of the Company and the Company entered into an agreement to acquire 100% equity interest in Rimau Shipping Pte. Ltd. (the "Ship Acquisition"). Pursuant to the agreement, the Ship Vendor conditionally agreed to sell and FC conditionally agreed to purchase the entire issued share capital in the Rimau Shipping Pte. Ltd. at a cash consideration of HK$160 million. The principal activities of Rimau Shipping Pte. Ltd are chartering of vessels.

On the same date, Agritrade International Pte. Ltd., WSJ International Sdn Bhd, Lim Beng Kim, Lulu (the "Mine Vendors"), Tiger Courage Limited (the "TC"), a wholly owned subsidiary of the Company and the Company entered into an agreement to acquire 60% equity interest in PT Rimau Indonesia (the "Mine Acquisition"). The principal assets being acquired in the Mine Acquisition are exploration and mining rights to explore a mine in the Province of Central Kalimantan, Indonesia and exploration and evaluation assets. Pursuant to the agreement, the Mine Vendors conditionally agreed to sell and TC conditionally agreed to purchase 60% equity interest in PT Rimau Indonesia at a consideration of HK$840 million (subject to adjustment with reference to the preliminary valuation of the coal mine to be acquired). The consideration shall be satisfied as to (i) HK$120 million procuring the issue of promissory notes by the Company to the Mine Vendors upon completion; (ii) HK$360 million (subject to adjustment) procuring the issue of convertible bonds by the Company to the Mine Vendors; and (iii) HK$360 million procuring the creation and issue of convertible preference shares by the Company to the Mine Vendors.

On 21st April, 2010, the Company held a special general meeting, in which, among other things, the shareholders of the Company approved the Ship Acquisition and Mine Acquisition and these acquisitions were completed on 4th June, 2010.

On 4th June, 2010, pursuant to the agreement for the Mine Acquisition, the Company issued to the Mine Vendors, (i) unsecured promissory notes in the aggregate principal sum of HK$120,000,000 due in 2012 bearing interest of 2.5% per annum, (ii) convertible bonds (the "Convertible Bonds") in the principal amount of HK$674,250,000 (after adjustment) at a conversion price of HK$1.50 per conversion share and (iii) an aggregate of 240,000,000 new convertible preference shares at the issue price of HK$1.50 per convertible preference share. Pursuant to the agreement for the Ship Acquisition, the Company paid a cash consideration of HK$160 million to the Ship Vendor.

The valuation of the assets acquired and liabilities assumed as well as cost of acquisition is pending for finalisation and therefore, financial information in relation to these acquisitions has not been disclosed in these consolidated financial statements.

On 11th June, 2010, the Company allotted and issued 174 million ordinary shares to one of the Mine Vendors upon conversion of certain of the Convertible Bonds at principal amount of HK$261 million.

Financial Summary

RESULTS

	Year ended 31st March,				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	405,347	324,336	287,765	235,865	**159,036**
Loss before tax	(17,817)	(23,519)	(37,546)	(42,609)	**(2,665)**
Income tax credit (expense)	2,818	1,963	–	–	**(1,908)**
Loss for the year	(14,999)	(21,556)	(37,546)	(42,609)	**(4,573)**
Attributable to:					
Owners of the Company	(14,662)	(21,556)	(37,546)	(42,609)	**(4,573)**
Minority interests	(337)	–	–	–	**–**
	(14,999)	(21,556)	(37,546)	(42,609)	**(4,573)**

ASSETS AND LIABILITIES

	As at 31st March,				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	442,095	399,727	375,201	328,566	**353,906**
Total liabilities	(62,521)	(38,758)	(34,740)	(28,981)	**(55,690)**
	379,574	360,969	340,461	299,585	**298,216**
Attributable to:					
Owners of the Company	379,574	360,969	340,461	299,585	**298,216**
Minority interests	–	–	–	–	**–**
	379,574	360,969	340,461	299,585	**298,216**