

Notes to the Financial Statements

For the year ended 31st March, 2002

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

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

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. These changes have not had any material effects on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

Disclosure have been modified so as to comply with the requirements of revised SSAPs. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

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

Interests in associates

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

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

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

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

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as obligation under a finance lease. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the period of the relevant lease term.

Impairment

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

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

Inventories

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

Investments in securities

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

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

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Service income is recognised when services are provided.

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

Retirement benefits scheme

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

Taxation

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

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

4. TURNOVER

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

	2002	2001
	HK\$'000	HK\$'000
The turnover comprises:		
Sale of goods	330,609	365,963
Subcontracting fee income	5,423	5,214
	<u>336,032</u>	<u>371,177</u>

5. SEGMENTAL INFORMATION

Sales of knitted fabrics and dyed yarns account for more than 90% of the Group's turnover for the years ended 31st March, 2002 and 2001, substantially all of which are made to customers based in Hong Kong and all of the manufacturing operations of the Group are located in the People's Republic of China, other than Hong Kong (the "PRC"). Accordingly, no analysis for the segment information are provided.

6. RECOVERY OF (ALLOWANCE FOR) BAD AND DOUBTFUL DEBTS

	2002	2001
	HK\$'000	HK\$'000
The amount comprises:		
Recovery of bad and doubtful debts allowance	2,081	–
Allowance for bad and doubtful debts	–	(6,870)
	<u>2,081</u>	<u>(6,870)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

7. (LOSS) PROFIT FROM OPERATIONS

	2002	2001
	HK\$'000	HK\$'000
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(Loss) profit from operations has been arrived at after charging:		
Staff costs including directors' remuneration:		
– Salaries and other benefits	22,848	21,300
– Retirement benefit scheme contributions	521	246
	23,369	21,546
Auditors' remuneration	422	511
Depreciation		
Assets owned by the Group	22,887	20,363
Assets held under finance leases	220	881
	23,107	21,244
Loss on disposal of property, plant and equipment	–	137
and after crediting:		
Gain on disposal of property, plant and equipment	28	–
Interest income from banks	937	1,940
	965	2,077

8. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
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Interest on borrowings wholly repayable within five years:		
Bank borrowings	1	138
Finance leases	33	209
	34	347
	34	347

Notes to the Financial Statements

For the year ended 31st March, 2002

9. DIRECTORS' EMOLUMENTS

	2002	2001
	HK\$'000	HK\$'000
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Directors' fees:		
Executive directors	–	–
Independent non-executive directors	150	150
Other emoluments (executive directors):		
Salaries and other benefits	5,494	5,655
Retirement benefit scheme contributions	43	16
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Total emoluments	<u>5,687</u>	<u>5,821</u>

Emoluments of the directors were within the following bands:

	2002	2001
	Number of directors	Number of directors
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Not exceeding HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	4	4
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During the year ended 31st March, 2001, included in directors' other emoluments were rentals in the aggregate amount of approximately HK\$972,000 (2002: nil) under operating leases paid by the Group in respect of accommodation provided to certain directors.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments in the Group, four (2001: four) are directors of the Company, details of whose emoluments are set out in note 9 above. The emoluments of the remaining individual are as follows:

	2002	2000
	HK\$'000	HK\$'000
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Salaries and other benefits	714	645
Retirement benefit scheme contributions	12	4
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	<u>726</u>	<u>649</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

11. TAXATION

	2002	2000
	HK\$'000	HK\$'000
The taxation (credit) charge comprises:		
Hong Kong Profits Tax	7	13
Overseas taxation	212	55
	<u>219</u>	<u>68</u>
Deferred taxation (note 22)		
Current year	<u>(1,660)</u>	<u>(470)</u>
	<u>(1,441)</u>	<u>(402)</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for both years. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation are set out in note 22.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of approximately HK\$20,303,000(2001: HK\$16,083,000) and on the adjusted weighted average of 1,862,580,822 (2001: 1,587,794,521) ordinary shares in issue during the year, after adjustment for the effect of the rights issue of the Company as set out in note 23.

No diluted loss per share is presented as the exercise price of the Company's share option is higher than the average market price for shares for both years.

Notes to the Financial Statements

For the year ended 31st March, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2001	18,044	178,610	14,483	13,214	224,351
Exchange realignment	–	603	21	26	650
Additions	–	13,409	1,748	–	15,157
Disposals	–	–	(20)	(145)	(165)
At 31st March, 2002	18,044	192,622	16,232	13,095	239,993
DEPRECIATION AND AMORTISATION					
At 1st April, 2001	2,675	84,869	5,420	7,703	100,667
Exchange realignment	–	237	11	22	270
Provided for the year	361	17,668	2,631	2,447	23,107
Eliminated on disposals	–	–	(20)	(101)	(121)
At 31st March, 2002	3,036	102,774	8,042	10,071	123,923
NET BOOK VALUES					
At 31st March, 2002	15,008	89,848	8,190	3,024	116,070
At 31st March, 2001	15,369	93,741	9,063	5,511	123,684

Notes to the Financial Statements

For the year ended 31st March, 2002

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2002	2001
	HK\$'000	HK\$'000
Land and buildings held under:		
Medium-term leases in Hong Kong	3,019	3,092
Medium-term land use rights in the PRC	11,989	12,277
	<u>15,008</u>	<u>15,369</u>

The net book values of plant and machinery and motor vehicles at 31st March, 2001 include amounts of approximately HK\$5,181,000 (2002: Nil) and HK\$13,000 (2002: Nil), respectively in respect of assets held under finance leases.

14. INVESTMENTS IN SUBSIDIARIES

	2002 & 2001
	HK\$'000
Unlisted shares, at cost	<u>84,948</u>

Details of the Company's subsidiaries at 31st March, 2002 are set out in note 33.

15. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	<u>6,656</u>	<u>26,653</u>

At 31st March, 2002, a subsidiary of the Company held 40% of the share capital of Global Network Holdings Limited, an investment holding company incorporated in the British Virgin Islands.

Notes to the Financial Statements

For the year ended 31st March, 2002

16. INVESTMENTS IN SECURITIES

	THE GROUP						THE COMPANY	
	Trading securities		Other securities		Total		Trading securities	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:								
Listed - Hong Kong	277	926	-	-	277	926	277	926
Unlisted	-	-	10	10	10	10	-	-
	<u>277</u>	<u>926</u>	<u>10</u>	<u>10</u>	<u>287</u>	<u>936</u>	<u>277</u>	<u>926</u>
Classified under								
Current	277	926	-	-	277	926	277	926
Non-current	-	-	10	10	10	10	-	-
	<u>277</u>	<u>926</u>	<u>10</u>	<u>10</u>	<u>287</u>	<u>936</u>	<u>277</u>	<u>926</u>
Market value of listed securities	<u>277</u>	<u>926</u>	<u>-</u>	<u>-</u>	<u>277</u>	<u>926</u>	<u>277</u>	<u>926</u>

17. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	47,441	39,721
Work in progress	12,287	9,569
	<u>59,728</u>	<u>49,290</u>

All inventories were carried at cost.

Notes to the Financial Statements

For the year ended 31st March, 2002

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of approximately HK\$87,599,000 (2001: HK\$92,377,000).

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 60 days	48,787	47,935
61 – 90 days	13,957	9,562
91 – 120 days	7,788	16,117
Over 120 days	17,067	18,763
	<u>87,599</u>	<u>92,377</u>

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

19. AMOUNTS DUE FROM SUBSIDIARIES

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

Notes to the Financial Statements

For the year ended 31st March, 2002

20. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of approximately HK\$19,910,000 (2001: HK\$22,891,000).

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 60 days	16,550	13,727
61 – 90 days	2,878	2,643
Over 90 days	482	6,521
	19,910	22,891

21. OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2001, the amounts payable under finance leases are repayable as follows:

	Minimum lease payments	Present value of minimum lease payments
	HK\$'000	HK\$'000
Within one year	1,050	1,017
Less: future finance charges	(33)	–
	1,017	1,017
Less: Amount due within one year and shown under current liabilities		(1,017)
Amount due after one year		–

Notes to the Financial Statements

For the year ended 31st March, 2002

21. OBLIGATIONS UNDER FINANCE LEASES (continued)

The average lease term was 4 years. For the year ended 31st March, 2002, the average effective borrowing rate was 3% (2001: 3%). Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangements were entered into for contingent rental payments. At 31st March, 2001, the Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

During the year ended 31st March, 2002, the Group's obligations under finance leases were fully settled.

22. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Balance at beginning of the year	5,791	6,261
Credit for the year (note 11)	(1,660)	(470)
Balance at end of the year	<u>4,131</u>	<u>5,791</u>

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences arising from:		
Excess of depreciation allowances over accounting depreciation	10,017	13,235
Tax losses available to set off against future assessable profits	(5,886)	(7,444)
	<u>4,131</u>	<u>5,791</u>

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

Notes to the Financial Statements

For the year ended 31st March, 2002

23. SHARE CAPITAL

	Notes	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.10 each at 1st April, 2000 and 2001		5,000,000,000	500,000
Sub-division of shares	(a)	<u>45,000,000,000</u>	<u>–</u>
Ordinary shares of HK\$0.01 each at 31st March, 2002		<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.10 each at 1st April, 2000		1,534,000,000	153,400
Issue of shares for acquisition of investments in securities		<u>77,000,000</u>	<u>7,700</u>
Ordinary shares of HK\$0.10 each at 1st April, 2001		1,611,000,000	161,100
Adjustment of nominal value	(a)	<u>–</u>	<u>(144,990)</u>
Ordinary shares of HK\$0.01 each Placement	(b)	1,611,000,000 322,200,000	16,110 3,222
Rights issue	(c)	<u>1,933,200,000</u>	<u>19,332</u>
Ordinary shares of HK\$0.01 each at 31st March, 2002		<u>3,866,400,000</u>	<u>38,664</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

23. SHARE CAPITAL (continued)

- (a) Pursuant to resolutions passed in a special general meeting dated 22nd October, 2001, the Company carried out the following capital reorganisation:
- i. the paid-up capital and nominal value of each issued ordinary shares was reduced from HK\$0.10 to HK\$0.01 (“Capital Reduction”);
 - ii. every authorised and unissued share capital was sub-divided into 10 ordinary shares of HK\$0.01 each; and
 - iii. the credit of HK\$144,990,000 arising as a result of the Capital Reduction was applied to eliminate the entire accumulated losses of the Company amounting to HK\$22,338,242 as at 31st March, 2001 and the remaining balance was transferred to the contributed surplus account of the Company.
- (b) Pursuant to a placing agreement dated 16th November, 2001, 181,100,000 existing ordinary shares of HK\$0.01 each were placed to several investors at HK\$0.05 per share by Rayten Limited (“Rayten”) and Mr. Li Man Tak (“Mr. Li”), a director of the Company. Pursuant to a subscription agreement on the same date, 294,100,000 and 28,100,000 new ordinary shares of HK\$0.01 each were issued and allotted to Rayten and Mr. Li, respectively, at HK\$0.05 per share. The issue price of HK\$0.05 represented a discount of approximately 9.09% to the closing price of HK\$0.055 per share of the Company quoted on 16th November, 2001. These new shares were issued under the general mandate granted to the Company’s directors in the special general meeting on 22nd October, 2001. The net proceeds of HK\$16,110,000 was used to repay bank indebtedness and provide general working capital for the Group.
- (c) The Company issued by way of 1,933,200,000 rights shares of HK\$0.01 each in the share capital of the Company (the “Rights Share(s)”) on the basis of one Right Share for every issued share held on the close of business on 4th February, 2002 at a subscription price of HK\$0.04 per Right Share payable in full on acceptance. The right issue was completed on 5th March, 2002 and the Group raised a net amount of approximately HK\$75 million, which will be used to upgrade and enhance production facilities, repay bank indebtedness and provide general working capital for the Group.

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

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For the year ended 31st March, 2002

24. SHARE OPTION SCHEME

As at 31st March, 2002, no share option was outstanding under the share option scheme of the Company adopted on 3rd March, 1997.

25. RESERVES

	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP					
Balance at 1st April, 2000	59,931	–	(2,945)	85,608	142,594
Premium arising from issue of shares, net of expenses	1,518	–	–	–	1,518
Exchange differences arising from translation of financial statements of overseas operations	–	–	2,077	–	2,077
Net loss for the year	–	–	–	(16,083)	(16,083)
Balance at 1st April, 2001	61,449	–	(868)	69,525	130,106
Arising from Capital Reduction	–	122,652	–	22,338	144,990
Premium arising from issue of shares, net of expenses	68,211	–	–	–	68,211
Exchange differences arising from translation of financial statements of overseas operations	–	–	590	–	590
Net loss for the year	–	–	–	(20,303)	(20,303)
Balance at 31st March, 2002	129,660	122,652	(278)	71,560	323,594
Attributable to:					
– the Company and subsidiaries	129,660	122,652	(278)	104,834	356,868
– an associate	–	–	–	(33,274)	(33,274)
	129,660	122,652	(278)	71,560	323,594

Notes to the Financial Statements

For the year ended 31st March, 2002

25. RESERVES (continued)

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits (accumulated loss) HK\$'000	Total HK\$'000
THE COMPANY				
Balance at 1st April, 2000	59,931	30,748	311	90,990
Premium arising from issue of shares, net of expenses	1,518	–	–	1,518
Net loss for the year	–	–	(22,649)	(22,649)
Balance at 1st April, 2001	61,449	30,748	(22,338)	69,859
Arising from Capital Reduction	–	122,652	22,338	144,990
Premium arising from issue of shares, net of expenses	68,211	–	–	68,211
Net loss for the year	–	–	(20,079)	(20,079)
Balance at 31st March, 2002	<u>129,660</u>	<u>153,400</u>	<u>(20,079)</u>	<u>262,981</u>

The contributed surplus of the Group represents the credit arising from the Capital Reduction as set out in note 23.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous group reorganisation less amounts utilized on bonus issue of shares plus the credit arising from the Capital Reduction as set out in note 23.

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

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

Notes to the Financial Statements

For the year ended 31st March, 2002

25. RESERVES (continued)

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

	2002	2001
	HK\$'000	HK\$'000
Contributed surplus	153,400	30,748
Accumulated loss	(20,079)	(22,338)
	133,321	8,410

26. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK\$'000	HK\$'000
Loss before taxation	(21,744)	(16,485)
Interest expenses	34	347
Interest income	(937)	(1,940)
Depreciation	23,107	21,244
(Gain) loss on disposal of property, plant and equipment	(28)	137
Impairment loss recognised in respect of other securities	–	9,409
Share of loss of an associate	19,997	13,277
Decrease (increase) in investments in securities	649	(926)
(Increase) decrease in inventories	(10,438)	546
Decrease in trade and other receivables	13,956	65,974
Decrease in bills receivable	1,617	703
Decrease in trade and other payables	(1,770)	(30,382)
Increase in bills payable	3,839	1,959
	28,282	63,863
Net cash inflow from operating activities	28,282	63,863

Notes to the Financial Statements

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27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including share premium and contributed surplus) HK\$'000	Obligations under finance leases HK\$'000
At 1st April, 2000	213,331	2,956
Proceeds from issue of shares	9,240	–
Share issue expenses	(22)	–
Repayment during the year	–	(1,939)
	<hr/>	<hr/>
At 31st March, 2001	222,549	1,017
Capital Reduction (note 23)	(22,338)	–
Proceeds from issue of shares	93,438	–
Share issue expenses	(2,673)	–
Repayment during the year	–	(1,017)
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At 31st March, 2002	290,976	–
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28. CONTINGENT LIABILITIES

The Company has given corporate guarantees to banks to secure general credit facilities granted to certain of its subsidiaries at 31st March, 2002 and 2001.

The extent of such facilities utilised by the subsidiaries at 31st March, 2002 amounted to approximately HK\$21,867,000 (2001: HK\$18,996,000).

29. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK\$2,558,000 (2001: HK\$2,620,000) have been pledged to a bank as security for general banking facilities granted to the Group.

Notes to the Financial Statements

For the year ended 31st March, 2002

30. CAPITAL COMMITMENTS

At 31st March, 2001, the Company had commitments of approximately HK\$2,381,000 for capital expenditure in respect of the acquisition of plant and machinery which were contracted for but not provided in the financial statements.

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

31. OPERATING LEASE COMMITMENTS

The Group made minimum lease payments of approximately HK\$1,234,000 (2001: HK\$1,262,000) under operating lease during the year in respect of rented premises.

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	1,219	1,842
In the second to fifth year inclusive	3,772	4,318
Over five years	2,718	2,820
	<u>7,709</u>	<u>8,980</u>

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

Notes to the Financial Statements

For the year ended 31st March, 2002

32. RETIREMENT BENEFITS

With effect from 1st December, 2000, the Group joined a Mandatory Provident Fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contributions payable in future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The PRC subsidiary of the Group is a participant in a state-managed retirement plan in the PRC pursuant to which the subsidiary pays a fixed percentage of its qualifying staff's wages as contribution to the plan. No significant contributions were made by the Group during the years ended 31st March, 2002 and 2001.

33. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March, 2002 were as follows:

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

Notes to the Financial Statements

For the year ended 31st March, 2002

33. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March, 2002 were as follows:

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

Notes:

1. The Company directly holds the interests in Sinoplex and ATX. All other interests shown above are indirectly held.
2. The capital contributed by the Group which has been verified amounted to approximately HK\$72,721,000.

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