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Corporate Information

DIRECTORS

Executive Directors

Li Man Ching (*Chairman*)
Li Mei Lin (*Deputy Chairman*)
Li Man Shun
Li Man Tak

Non-Executive Directors

Tsui Wing Yin
Lau Chung Man, Louis

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
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

SOLICITORS

Johnson Stokes & Master
17th Floor
Prince's Building
10 Chater Road
Hong Kong

Richard Tai & Co
Unit 2501-2503, 25th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTERS

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Secretaries Limited
5th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank
Shanghai Commercial Bank
Hua Chiao Commercial Bank Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of Kwong Hing International Holdings (Bermuda) Limited will be held at Level 2, Ballroom B, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 29th September, 1999 at 3:00 p.m. for the following purposes:

1. To receive and adopt the audited financial statements and the reports of Directors and Auditors for the year ended 31st March, 1999;
2. To re-elect Directors and authorize the Board of Directors to fix the Directors' remuneration;
3. To re-appoint Auditors and authorize the Board of Directors to fix their remuneration;
4. As special business, to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

A. **"THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the Directors of the Company during the Relevant Period (as defined below) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period (as defined below);
- (c) the aggregate nominal amount of share capital allotted or aged conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, or (iii) the exercise of rights of conversion or subscription under the terms of any securities which are convertible into shares of the Company or the share

Notice of Annual General Meeting

option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to directors and/or employees of the Company and/or any its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed the aggregate of : (aa) 20 percent of the aggregate nominal amount of the issued share capital of the Company in issue at the date of passing of this Resolution and (bb) if the Directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company, the nominal amount of share capital of the Company purchased by the Company subsequent to the passing of this Resolution up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or the Company’s Bye-laws to be held; and
- (iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

Notice of Annual General Meeting

B. **“THAT:**

- (a) Subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to purchase shares in the capital of the Company be and is hereby generally and unconditionally approved;
- (b) The aggregate nominal amount of the shares of the Company which the Company is authorized to purchase pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or the Company’s Bye-laws to be held; and
- (iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

Notice of Annual General Meeting

- C. “**THAT** conditional upon the passing of Resolution no. 4B set out in the notice of this Meeting, the aggregate nominal amount of shares which are purchased by the Company pursuant to and in accordance with the said Resolution no. 4B shall be added to the aggregate nominal amount of the shares of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors of the Company pursuant to and in accordance with Resolution no. 4A set out in the notice of this Meeting.

By Order of the Board
Fung Chi Ki
Company Secretary

Hong Kong, 25th August, 1999

Notes:

- (1) A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's head office and principal place of business in Hong Kong at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong, not less than 48 hours before the time appointed for holding this Meeting or adjourned meeting (as the case may be).
- (3) The Register of Members will be closed from Thursday, 23rd September, 1999 to Wednesday, 29th September, 1999 (both dates inclusive) during which period no transfer of shares can be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Wednesday 22nd September, 1999.
- (4) In respect of Resolution 4A, the Directors of the Company have no immediate plans to issue any new shares. In accordance with the terms of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, the general mandate lapses unless it is renewed at each Annual General Meeting.
- (5) An explanatory statement containing further details as regarding Resolutions 4A to 4C will be despatched to the shareholders shortly together with the annual report.

Chairman's Statement

I am pleased to 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, 1999.

RESULTS

For the year ended 31st March, 1999, turnover was approximately HK\$374,397,000, slightly down about 6.6% comparing with that of last year. Profit attributable to shareholders, however, increased to approximately HK\$21,086,000 despite the difficult business environment. Earnings per share were HK1.95 cents. Net assets increased by about 11.5% to approximately HK\$204,432,000.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st March, 1999.

BUSINESS REVIEW

Through the dedication and teamwork of our employees and continued loyalty of our customers, we achieved a growth in midst of sluggish economic environment. This vividly reflected our solid foundation in the industry and our visionary management in combating the economic downturn and positioning the Group to develop a better future.

Continuing competitive pressures within the textile industry are elevating the playing field with increasingly sophisticated marketing and expansion capabilities. To remain competitive in the industry requires a constant focus on every component of our business. The business performance for the year under review was quite impressive as the yarn dyeing division has entered the harvest period resulted from previous years' investments. Sales slightly decreased but net profit increased as compared to that of 1998. It was attributable to the reason that the Group adopted a prudent credit policy by restructuring its customer mix, which meant to result in a stable and reliable customers portfolio in order to achieve stable revenue and to minimize credit risk. Besides, the Group also readjusted its product mix by putting more focus on premium margin products.

The Group's customers are mainly Hong Kong-based garment companies which in turn export their products, manufactured from our products, to overseas countries. In order to diversify the income stream, the Group has expanded its customer base during the year.

Chairman's Statement

During the year, management focus has been put on increasing the overall productivity instead of boosting the production capacity, the results were satisfactory. The yarn dyeing division established last year started to contribute to the improvement of the overall productivity. The initial response for yarn dyeing was promising and contributed about 27% to the Group's turnover for the year. The Group expects that the division will continue to generate significant revenue to the Group in the coming years.

The Group formulated measures to ensure a stable return, and continued to pursue cautionary and conservative credit policy, and monitored closely its inventory level. The contribution of the above major internal control measures will enable the Group to maintain a healthy cash level and profitability.

At a special general meeting of the Company on 24th April, 1998, a bonus issue of shares on the basis of one bonus share for every then existing share was approved. The total issued shares of the Company was increased to 1,080,000,000 shares. The bonus shares were issued to the shareholders on 1st May, 1998. The Board of Directors believes that the bonus issue will increase the liquidity of the Company's shares in the stock market.

PROSPECTS

Building on the Group's stable profit in the past two years, the Group will continue to follow stringent cost control measures and is prepared to cope with the ever changing landscape of the economy. The Group will ensure the best efforts will be made to further strengthen its existing business. The Group may also seek business partners to develop its business in the People's Republic of China.

The Group also intends to venture into information technology business. The Company is currently involved in negotiations relating to a possible acquisition of interest in a privately owned internet content provider company. The acquisition will provide an opportunity for the Company to tap into the fast-growing global internet market. However, the Group is committed to maintain the textile business as its core business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group aimed at a sound and healthy financial position in order to operate profitably in the unstable economic environment. The Group's total assets was approximately HK\$321,739,000 while the net worth is approximately HK\$204,432,000, and total debts was approximately HK\$25,772,000. Ratio of the total debts to shareholders' equity was approximately 13%. Net cash on hand was about HK\$9,919,000 as at 31st March, 1999. The Group's healthy position will enable the Group to explore any business development opportunity.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers amounted to approximately 58% of the Group's total sales for the year, of which the sales to the largest customer represented approximately 22% of the total sales for the year. Among the five largest customers, one of them held 9.81% of the Company's issue capital as at 31st March, 1999.

Purchases from the five largest suppliers amounted to approximately 38% of the total purchases for the year while purchases from the largest supplier represented 13% of the total purchases for the year.

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

SHARE TRADING SUSPENSION AND RESUMPTION

The trading of the Company's shares was suspended on 16th April, 1998 at 2:30 p.m. and resumed on 26th October, 1998. (Please refer to the announcements made by the Company on 17th April, 1998 and 26th October, 1998 for details).

YEAR 2000 COMPLIANCE

The Year 2000 issue, which arises from the turn of the Year 2000, is due to the fact that some computer systems are programmed to use only two digits to identify the year and, therefore, unable to distinguish 1900 from 2000.

In view of the destructive nature of the problem, the Directors have reviewed the potential problems which may arise as a result of the Year 2000 issues. Comprehensive assessment and inspection on the Company's computer systems were carried out during the year. As indicated in the Interim Report 1998/99, the upgrading of Company's computer system was completed in the second half of the year.

Based on the Directors' best understanding, the Year 2000 issue will not create significant effect on the operations of the Company and, barring unforeseen circumstances, no significant expenses are expected to be incurred for the Year 2000 compliance issue.

Chairman's Statement

AUDIT COMMITTEE

In order to provide an independent and objective review of the financial reporting process, internal controls and the audit function to the Company and the Group, the Company has set up an Audit Committee on 29th December, 1998. The Company hopes to strengthen its internal supervision and control through the establishment of the committee. The Audit Committee has reviewed the business and financial report of the Company. In establishing the terms of reference for this committee, the Board has made reference to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

APPRECIATION

For and on behalf of the Board, I would like to offer my sincere thanks to my fellow Directors, staff, customers, suppliers and shareholders for their loyalty and sincerity to the Group during the year.



Li Man Ching

Chairman

Hong Kong, 25th August, 1999

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. *Li Man Ching*, aged 40, 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 39, 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 35, 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. *Li Man Tak*, aged 32, is a co-founder of the Group. He is responsible for the marketing function of the Group, with primary focus on sales and marketing in Hong Kong. Mr. *Li Man Tak* is a younger brother of Mr. *Li Man Ching*.

Independent Non-executive Directors

Mr. *Tsui Wing Yin*, aged 38, is a partner of a firm of solicitors 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 twelve years' legal experience in Hong Kong.

Mr. *Lau Chung Man*, Louis, aged 40, is the financial controller and company secretary of a company listed on The Stock Exchange of Hong Kong Limited. He holds a Bachelor's degree in Commerce and Administration from Victoria University of Wellington in New Zealand. He is a member of the New Zealand Society of Accountants and an associate member of the Hong Kong Society of Accountants.

DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Management

Mr. *Fung Chi Ki*, aged 36, is the Group's financial controller and company secretary of the Company. He is an associate member of the Hong Kong Society of Accountants and an associate member 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.

Mr. *Kwan Chui Shui*, aged 27, is the purchasing manager of the Group. He has over six 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. *Soo Wing Ming*, aged 57, is the production manager responsible for the fabric setting operations at the Group's production facilities in the PRC. He has over twenty years' experience in fabric setting. He joined the Group in April 1994.

Ms. *Tang Shuk Yi*, aged 35, is the chief accountant of the Group and is responsible for the accounting function for the Group. She joined the Group in 1991 when it was established and has over ten years' experience in accounting.

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 1999.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the financial statements.

The head office of the Group is in Hong Kong and all of its manufacturing operations are located in the People's Republic of China, other than Hong Kong. Sales of knitted fabrics and dyed yarns account for more than 90% of the Group's turnover for the year ended 31st March, 1999, substantially all of which are made to customers based in Hong Kong.

RESULTS

The results of the Group for the year ended 31st March, 1999 are set out in the consolidated profit and loss account on page 20. of the annual report.

The directors do not recommend the payment of a dividend for the year.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 1999 are set out in note 29 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group for the five years ended 31st March, 1999 and of the assets and liabilities of the Group as at 31st March, 1997, 1998 and 1999 is set out on page 44 of the annual report.

FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

BORROWINGS

Obligations under finance leases and bank overdrafts which are repayable within one year or on demand are included in current liabilities.

Details of obligations under finance leases of the Group are set out in note 16 to the financial statements.

No interest was capitalised by the Group during the year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 17 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 18 to the financial statements. No share options were granted under the scheme during the year or outstanding at 31st March, 1999. Subsequent to the balance sheet date, an aggregate of 100,300,000 options were granted to and exercised by certain employees of the Group.

RESERVES

Details of the movements in the reserves of the Group and of the Company are set out in note 19 to the financial statements.

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*)

Mr. Li Man Shun

Mr. Li Man Tak

Independent non-executive directors:

Mr. Lau Chung Man, Louis

Mr. Tsui Wing Yin

In accordance with Article 110(A) of the Company's Bye-laws, Ms. Li Mei Lin and Mr. Li Man Tak retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Ms. Li Mei Lin and Mr. Li Man Tak have entered into service contracts with the Company for a fixed term of three years commencing 1st March, 1999.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31st March, 1999, the interests of the directors and chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Number of ordinary shares in the Company held as other interests	<i>(Note)</i>
Mr. Li Man Ching	630,000,000	
Ms. Li Mei Lin	630,000,000	
Mr. Li Man Shun	630,000,000	
Mr. Li Man Tak	630,000,000	

Note: Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Li Man Tak beneficially own 24,300 shares, 22,500 shares, 21,600 shares and 21,600 shares, respectively, in Rayten Limited, representing 27 per cent, 25 per cent, 24 per cent and 24 per cent, respectively, of the issued share capital of Rayten Limited, which in turn owns 630,000,000 shares in the Company.

Other than as disclosed above, none of the directors, chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Other than the share option scheme of the Company as disclosed in note 18 to the financial statements, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interest as disclosed above in respect of certain directors and their associates, the register required to be maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of the existence of any interest representing 10% or more of the issued share capital of the Company as at 31st March, 1999.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 1999 with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with which it is required to report compliance. On 29th December, 1998, the Company established an Audit Committee comprising Messrs. Lau Chung Man, Louis and Tsui Wing Yin, independent non-executive directors of the Company. In establishing the terms of reference for this committee, the directors have had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

AUDITORS

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

On behalf of the Board



CHAIRMAN

Hong Kong, 25th August, 1999

**Deloitte Touche
Tohmatsu**



Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

德勤·關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

**TO THE MEMBERS OF
KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 43 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Auditors' Report

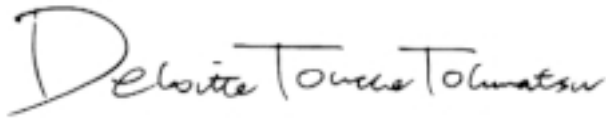
TO THE MEMBERS OF

KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED - continued

(incorporated in Bermuda with limited liability)

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



Certified Public Accountants

Hong Kong, 25th August, 1999

Consolidated Profit and Loss Account

For the year ended 31st March, 1999

	Notes	1999 HK\$'000	1998 HK\$'000
TURNOVER	4	<u>374,397</u>	<u>400,748</u>
OPERATING PROFIT			
Continuing operations excluding exceptional item	5	22,943	34,101
Exceptional item	6	<u>–</u>	<u>(9,827)</u>
PROFIT FROM ORDINARY ACTIVITIES			
BEFORE TAXATION		22,943	24,274
TAXATION	9	<u>1,857</u>	<u>3,371</u>
PROFIT FOR THE YEAR	10	<u>21,086</u>	<u>20,903</u>
DIVIDEND	11	<u>–</u>	<u>1,080</u>
EARNINGS PER SHARE	12	<u>1.95 cents</u>	<u>2.12 cents</u>

Consolidated Balance Sheet

At 31st March, 1999

	Notes	1999 HK\$'000	1998 HK\$'000
FIXED ASSETS	13	<u>132,577</u>	<u>134,420</u>
CURRENT ASSETS			
Inventories	15	36,721	35,909
Debtors, deposits and prepayments		137,312	129,856
Bills receivable		4,258	4,647
Bank balances and cash		<u>10,871</u>	<u>9,762</u>
		<u>189,162</u>	<u>180,174</u>
CURRENT LIABILITIES			
Creditors and accrued charges		59,740	60,700
Bills payable			
– secured		7,631	7,719
– unsecured		13,819	3,618
Taxation		3,654	2,967
Obligations under finance leases – due within one year	16	9,497	16,118
Bank overdrafts		<u>952</u>	<u>–</u>
		<u>95,293</u>	<u>91,122</u>
NET CURRENT ASSETS		<u>93,869</u>	<u>89,052</u>
		<u>226,446</u>	<u>223,472</u>
Financed by:			
SHARE CAPITAL	17	108,000	54,000
RESERVES	19	<u>96,432</u>	<u>129,317</u>
SHAREHOLDERS' FUNDS		204,432	183,317
DEFERRED TAXATION	20	6,691	5,462
OBLIGATIONS UNDER FINANCE LEASES – DUE AFTER ONE YEAR	16	<u>15,323</u>	<u>34,693</u>
		<u>226,446</u>	<u>223,472</u>

The financial statements on pages 20 to 43 were approved by the Board of Directors on 25th August, 1999 and are signed on its behalf by:



CHAIRMAN



DEPUTY CHAIRMAN

Balance Sheet

At 31st March, 1999

	Notes	1999 HK\$'000	1998 HK\$'000
INTEREST IN SUBSIDIARIES	14	<u>157,143</u>	<u>157,145</u>
CURRENT ASSET			
Bank balance		1	1
CURRENT LIABILITY			
Accrued charges		<u>335</u>	<u>437</u>
NET CURRENT LIABILITY		<u>(334)</u>	<u>(436)</u>
NET ASSETS		<u><u>156,809</u></u>	<u><u>156,709</u></u>
Financed by:			
SHARE CAPITAL	17	108,000	54,000
RESERVES	19	<u>48,809</u>	<u>102,709</u>
SHAREHOLDERS' FUNDS		<u><u>156,809</u></u>	<u><u>156,709</u></u>



CHAIRMAN



DEPUTY CHAIRMAN

Consolidated Cash Flow Statement

For the year ended 31st March, 1999

	Note	1999 HK\$'000	1998 HK\$'000
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	21	<u>33,062</u>	<u>(10,362)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid on finance leases		(4,314)	(2,952)
Interest paid on bank overdrafts		(7)	(182)
Interest received		1,716	1,547
Dividend paid		<u>–</u>	<u>(1,080)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(2,605)</u>	<u>(2,667)</u>
TAXATION			
Hong Kong Profits Tax refunded (paid)		<u>59</u>	<u>(2,662)</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(4,563)	(18,817)
Decrease (increase) in pledged bank deposits		1,058	(1,058)
Proceeds from disposal of fixed assets		<u>673</u>	<u>210</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(2,832)</u>	<u>(19,665)</u>
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		<u>27,684</u>	<u>(35,356)</u>

Consolidated Cash Flow Statement

For the year ended 31st March, 1999

	Note	1999 HK\$'000	1998 HK\$'000
FINANCING	22		
Repayment of obligations under finance leases		(31,179)	(18,525)
Proceeds from sale and leaseback arrangements in respect of fixed assets		4,728	–
Net proceeds from issue of shares		–	38,411
NET CASH (OUTFLOW) INFLOW FROM FINANCING		<u>(26,451)</u>	<u>19,886</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,233	(15,470)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		8,704	24,174
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		<u>(18)</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>9,919</u></u>	<u><u>8,704</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		10,871	8,704
Bank overdrafts		<u>(952)</u>	<u>–</u>
		<u><u>9,919</u></u>	<u><u>8,704</u></u>

Notes to the Financial Statements

For the year ended 31st March, 1999

1. GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s ultimate holding Company is Rayten Limited (“Rayten”), a company incorporated in the British Virgin Islands.

2. ADOPTION OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company adopted the following Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants:

SSAP No. 5 (Revised)	Earnings Per Share
SSAP No. 20	Related Party Disclosures
SSAP No. 22	Inventories

The adoption of SSAP No. 5 (Revised) does not have any effect on the calculation of the earnings per share for the current or prior accounting periods.

SSAP No. 20 requires the disclosure of details of transactions with specified related parties. The Group did not have any significant transactions or balances with related parties during the year or at the balance sheet date.

SSAP No. 22 specifies the accounting treatment to be adopted for inventories. The adoption of this standard has resulted in some changes in terminology and presentation, but does not have an effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Notes to the Financial Statements

For the year ended 31st March, 1999

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong 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.

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

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.

Fixed assets and depreciation

Fixed assets are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

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 profit and loss account.

Notes to the Financial Statements

For the year ended 31st March, 1999

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the depreciable amount of fixed assets over their estimated useful lives, using the straight line method, at the following rates per annum:

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

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

Investment in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or registered capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investment in subsidiaries is included in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales.

Notes to the Financial Statements

For the year ended 31st March, 1999

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 a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the period of the relevant leases.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on translation are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in exchange reserve.

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.

Notes to the Financial Statements

For the year ended 31st March, 1999

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

The amount of contributions payable to state pension schemes in the People's Republic of China other than Hong Kong (the "PRC") is charged to the profit and loss account.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

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, and is summarised as follows:

	1999 HK\$'000	1998 HK\$'000
Sale of goods	369,217	398,838
Subcontracting fee income	5,180	1,910
	<u>374,397</u>	<u>400,748</u>

Notes to the Financial Statements

For the year ended 31st March, 1999

5. OPERATING PROFIT FROM CONTINUING OPERATIONS EXCLUDING EXCEPTIONAL ITEM

	1999	1998
	HK\$'000	HK\$'000
<hr/>		
Operating profit from continuing operations excluding exceptional item has been arrived at after charging:		
Interest on borrowings wholly repayable within five years:		
Bank overdrafts	7	182
Finance leases	4,314	2,952
	<hr/>	<hr/>
Total borrowing costs	4,321	3,134
	<hr/>	<hr/>
Auditors' remuneration	541	629
Depreciation:		
Assets owned by the Group	13,057	10,240
Assets held under finance leases	4,735	3,347
Loss on disposal of fixed assets	774	–
Rentals payable under an operating lease in respect of rented premises	1,352	1,031
and after crediting:		
Gain on disposal of fixed assets	–	158
Interest income from banks	1,714	985
Interest income from debtors	2	562
	<hr/> <hr/>	<hr/> <hr/>

6. EXCEPTIONAL ITEM

The amount for the year ended 31st March, 1998 represented the provision for bad and doubtful debts.

Notes to the Financial Statements

For the year ended 31st March, 1999

7. DIRECTORS' EMOLUMENTS

	1999 HK\$'000	1998 HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	150	120
Other emoluments (executive directors):		
Salaries and other benefits	2,800	2,820
Total emoluments	<u>2,950</u>	<u>2,940</u>

The emoluments of each of the Company's directors are not more than HK\$1,000,000 for both years.

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments in the Group, four (1998: four) are directors of the Company, details of whose emoluments are set out in note 7 above. The emoluments of the remaining individual are as follows:

	1999 HK\$'000	1998 HK\$'000
Salaries and other benefits	<u>520</u>	<u>576</u>

Notes to the Financial Statements

For the year ended 31st March, 1999

9. TAXATION

	1999 HK\$'000	1998 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	123	190
Overseas taxation	505	3,100
	<u>628</u>	<u>3,290</u>
Deferred taxation (note 20)		
Current year	1,229	252
Attributable to a change in tax rate	–	(171)
	<u>1,229</u>	<u>81</u>
	<u>1,857</u>	<u>3,371</u>

Hong Kong Profits Tax is calculated at 16% (1998: 16.5%) of the estimated assessable profit for the year. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation are set out in note 20.

10. PROFIT FOR THE YEAR

Of the Group's profit for the year of approximately HK\$21,086,000 (1998: HK\$20,903,000), a profit of approximately HK\$100,000 (1998: HK\$1,106,000) has been dealt with in the financial statements of the Company.

11. DIVIDEND

The amount for the year ended 31st March, 1998 represented an interim dividend of HK0.20 cent per share paid during that year.

The directors do not recommend the payment of a dividend for the year ended 31st March, 1999.

Notes to the Financial Statements

For the year ended 31st March, 1999

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of approximately HK\$21,086,000 (1998: HK\$20,903,000) and on 1,080,000,000 shares (1998: weighted average number of 985,808,220 shares) in issue during the year after adjusting for the effect of the bonus issue of shares made by the Company, details of which is set out in note 17. The basic earnings per share for the year ended 31st March, 1998 has been adjusted accordingly.

13. FIXED ASSETS

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 1998	17,564	158,716	5,194	7,488	188,962
Exchange realignment	–	77	5	6	88
Additions	–	6,557	8,548	2,244	17,349
Disposals	–	(2,519)	(158)	(599)	(3,276)
At 31st March, 1999	17,564	162,831	13,589	9,139	203,123
DEPRECIATION					
At 1st April, 1998	1,613	43,594	2,702	6,633	54,542
Exchange realignment	–	35	1	5	41
Provided for the year	351	16,171	801	469	17,792
Eliminated on disposals	–	(1,072)	(158)	(599)	(1,829)
At 31st March, 1999	1,964	58,728	3,346	6,508	70,546
NET BOOK VALUES					
At 31st March, 1999	15,600	104,103	10,243	2,631	132,577
At 31st March, 1998	15,951	115,122	2,492	855	134,420

Notes to the Financial Statements

For the year ended 31st March, 1999

13. FIXED ASSETS (continued)

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

	1999 HK\$'000	1998 HK\$'000
Land and buildings held under:		
Medium-term leases in Hong Kong	2,745	2,807
Medium-term leases in the PRC	12,855	13,144
	<u>15,600</u>	<u>15,951</u>

The net book value of fixed assets of the Group at 31st March, 1999 includes an amount of approximately HK\$39,412,000 (1998: HK\$71,833,000) in respect of assets held under finance leases.

14. INTEREST IN SUBSIDIARIES

	1999 HK\$'000	1998 HK\$'000
Unlisted shares	84,948	84,948
Amounts due from subsidiaries	73,308	72,610
Amounts due to subsidiaries	(1,113)	(413)
	<u>157,143</u>	<u>157,145</u>

The carrying value of the unlisted shares is based on the directors' estimate of the underlying net assets of the subsidiaries attributable to the Group at the time these subsidiaries were acquired by the Company.

Details of the Company's subsidiaries at 31st March, 1999 are set out in note 29.

Notes to the Financial Statements

For the year ended 31st March, 1999

15. INVENTORIES

	THE GROUP	
	1999	1998
	HK\$'000	HK\$'000
Raw materials	23,911	27,639
Work in progress	12,810	8,270
	36,721	35,909

The cost of inventories recognised as an expense during the year was approximately HK\$283,135,000 (1998: HK\$305,454,000).

16. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	THE GROUP	
	1999	1998
	HK\$'000	HK\$'000
Within one year	9,497	16,118
More than one year, but not exceeding two years	9,466	13,522
More than two years, but not exceeding five years	5,857	21,171
	24,820	50,811
Less: Amount due within one year and shown under current liabilities	(9,497)	(16,118)
Amount due after one year	15,323	34,693

Notes to the Financial Statements

For the year ended 31st March, 1999

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
At 1st April, 1998 and 31st March, 1999	5,000,000,000	500,000
Issued and fully paid:		
At 1st April, 1998	540,000,000	54,000
Bonus issue of new shares	540,000,000	54,000
At 31st March, 1999	1,080,000,000	108,000

Pursuant to an ordinary resolution of the Company passed at a special general meeting held on 24th April, 1998, the Company made a bonus issue of 540,000,000 new shares of HK\$0.10 each, credited as fully paid by way of capitalisation of an amount of HK\$54,000,000 of the Company's contributed surplus, on the basis of one new share for every existing share then held, to the shareholders whose names appeared on the register of members of the Company on 24th April, 1998. These new shares rank pari passu with the then existing shares in all respects.

18. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 3rd March, 1997 (the "Scheme"), the directors of the Company may grant options to any executive director or employee of the Company or any of its subsidiaries to subscribe for shares in the Company at the subscription price which shall not less than the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

No options were granted under the Scheme during the year or outstanding at 31st March, 1999.

Notes to the Financial Statements

For the year ended 31st March, 1999

19. RESERVES

	Share premium account HK\$'000	Merger reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP						
Balance at						
1st April, 1998	17,839	4,300	–	(665)	107,843	129,317
Bonus issue of new shares	–	(4,300)	–	–	(49,700)	(54,000)
Exchange differences						
arising from						
translation of overseas						
operations	–	–	–	29	–	29
Profit for the year	–	–	–	–	21,086	21,086
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
31st March, 1999	<u>17,839</u>	<u>–</u>	<u>–</u>	<u>(636)</u>	<u>79,229</u>	<u>96,432</u>
THE COMPANY						
Balance at						
1st April, 1998	17,839	–	84,748	–	122	102,709
Bonus issue of new shares	–	–	(54,000)	–	–	(54,000)
Profit for the year						
(note 10)	–	–	–	–	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
31st March, 1999	<u>17,839</u>	<u>–</u>	<u>30,748</u>	<u>–</u>	<u>222</u>	<u>48,809</u>

Notes to the Financial Statements

For the year ended 31st March, 1999

19. RESERVES (continued)

The merger reserve at 1st April, 1998 represented the difference between the nominal value of the shares 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.

The contributed surplus at 1st April, 1998 represented 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.

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.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at 31st March, 1999 consisted of contributed surplus of approximately HK\$30,748,000 (1998: HK\$84,748,000) and retained profits of approximately HK\$222,000 (1998: HK\$122,000).

20. DEFERRED TAXATION

	THE GROUP	
	1999	1998
	HK\$'000	HK\$'000
Balance at beginning of the year	5,462	5,381
Charge for the year (note 9)	1,229	81
Balance at end of the year	<u>6,691</u>	<u>5,462</u>

Notes to the Financial Statements

For the year ended 31st March, 1999

20. DEFERRED TAXATION (continued)

At the balance sheet date, the major components of deferred tax liabilities (assets) were as follows:

	1999	1998
	HK\$'000	HK\$'000
<hr/>		
Tax effect of timing differences arising from:		
Excess of tax depreciation allowances over accounting depreciation	12,071	8,466
Tax losses available to set off against future assessable profits	(5,380)	(2,860)
Other timing differences	–	(144)
	<u>6,691</u>	<u>5,462</u>
	<u>6,691</u>	<u>5,462</u>

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

21. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	1999	1998
	HK\$'000	HK\$'000
<hr/>		
Profit from ordinary activities before taxation	22,943	24,274
Interest expenses	4,321	3,134
Interest income	(1,716)	(1,547)
Depreciation	17,792	13,587
Exceptional loss on provision for bad and doubtful debts	–	9,827
Loss (gain) on disposal of fixed assets	774	(158)
(Increase) decrease in inventories	(812)	5,096
Increase in debtors, deposits and prepayments	(19,782)	(40,020)
Decrease (increase) in bills receivable	389	(4,593)
Decrease in creditors and accrued charges	(960)	(8,781)
Increase (decrease) in bills payable	10,113	(11,181)
	<u>33,062</u>	<u>(10,362)</u>
Net cash inflow (outflow) from operating activities	<u>33,062</u>	<u>(10,362)</u>

Notes to the Financial Statements

For the year ended 31st March, 1999

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Obligations under finance leases HK\$'000
At 1st April, 1998	50,811
Inception of finance leases during the year	460
Sale and leaseback arrangements in respect of fixed assets	4,728
Repayment during the year	(31,179)
	<hr/>
At 31st March, 1999	<u>24,820</u>

23. MAJOR NON-CASH TRANSACTIONS

During the year, the Group had the following major non-cash transactions:

- a) Finance leases were entered into in respect of the acquisition of fixed assets with a total capital value of approximately HK\$460,000 at the inception of the finance leases.
- b) Deposits of HK\$12,326,000 paid during the year ended 31st March, 1998 were transferred to respective categories of fixed assets.

24. CONTINGENT LIABILITIES

The Company has given unlimited guarantees to banks to secure general credit facilities granted to certain of its subsidiaries at 31st March, 1999 and 1998.

The extent of such facilities utilised by the subsidiaries at 31st March, 1999 amounted to approximately HK\$46,462,000 (1998: HK\$32,532,000).

Notes to the Financial Statements

For the year ended 31st March, 1999

25. PLEDGE OF ASSETS

At 31st March, 1999, certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK\$2,745,000 (1998: HK\$2,807,000) have been pledged to banks as security for general banking facilities granted to the Group.

At 31st March, 1998, the Group had pledged a bank deposit amounting to approximately HK\$1,058,000 to secure general banking facilities granted to the Group. This security was released during the year ended 31st March, 1999.

26. CAPITAL COMMITMENTS

At 31st March, 1999, the Group had commitments of approximately HK\$2,734,000 (1998: HK\$5,091,000) for capital expenditure in respect of the acquisition of plant and machinery which are contracted for but not provided in the financial statements.

The Company had no capital commitments at the balance sheet date.

27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments payable in the next twelve months under non-cancellable operating leases in respect of rented premises as follows:

	THE GROUP	
	1999	1998
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	198	15
In the second to fifth year inclusive	31	295
Over five years	856	840
	<u>1,085</u>	<u>1,150</u>

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

Notes to the Financial Statements

For the year ended 31st March, 1999

28. RETIREMENT BENEFITS

The PRC subsidiary of the Company is required to make contributions to the state pension schemes in the PRC based on a certain percentage of the monthly salaries of its employees. No significant contributions were made by the Group during the years ended 31st March, 1999 and 1998.

29. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March, 1999 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
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 finished services and provision of marketing services
Sinoplex Limited	British Virgin Islands	US\$75	100%	Investment holding
Unite Might Investment Limited	Hong Kong	HK\$500,000	100%	Provision of administration services

Notes to the Financial Statements

For the year ended 31st March, 1999

29. PARTICULARS OF SUBSIDIARIES *(continued)*

Note 1: The Company directly holds the interest in Sinoplex Limited. All other interests shown above are indirectly held.

Note 2: Nanhai Hengxing Dyeing Co., Ltd. has a registered capital of approximately HK\$59,705,000. According to the latest official verification report dated 20th May, 1999, the capital contributed by the Group which has been verified amounted to approximately HK\$57,350,000.

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

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Financial Summary

RESULTS

	Year ended 31st March,				
	1995 HK\$'000	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000
TURNOVER	<u>329,147</u>	<u>331,102</u>	<u>381,795</u>	<u>400,748</u>	<u>374,397</u>
OPERATING PROFIT					
Continuing operations					
excluding exceptional items	20,827	27,420	36,146	34,101	22,943
Exceptional items	<u>–</u>	<u>–</u>	<u>11,606</u>	<u>(9,827)</u>	<u>–</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION	20,827	27,420	47,752	24,274	22,943
TAXATION	<u>3,179</u>	<u>1,372</u>	<u>3,500</u>	<u>3,371</u>	<u>1,857</u>
PROFIT FOR THE YEAR	<u>17,648</u>	<u>26,048</u>	<u>44,252</u>	<u>20,903</u>	<u>21,086</u>

ASSETS AND LIABILITIES

	As at 31st March,		
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000
TOTAL ASSETS	227,968	314,594	321,739
TOTAL LIABILITIES	<u>(102,879)</u>	<u>(131,277)</u>	<u>(117,307)</u>
SHAREHOLDERS' FUNDS	<u>125,089</u>	<u>183,317</u>	<u>204,432</u>

Notes:

- The Company was incorporated in Bermuda on 27th January, 1997 and became the holding company of the Group with effect from 3rd March, 1997 as a result of a group reorganisation. Accordingly, the only balance sheets of the Group which have been prepared are as at 31st March, 1997, 1998 and 1999.
- The results of the Group for each of the three years ended 31st March, 1997, which have been extracted from the Company's prospectus dated 7th March, 1997 and annual report for the year ended 31st March, 1997, have been prepared on a combined basis as if the group structure after the above-mentioned group reorganisation had been in existence throughout the three years ended 31st March, 1997.