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Corporate Information

DIRECTORS

Executive Directors

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

Independent 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

Lee Chan Cheng
Room 1701-1704
Wheelock House
20 Pedder Street
Central
Hong Kong

Kenneth C.C. Man & Co.
Suite 1105, Central Plaza
18 Harbour Road
Wanchai
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
Bank of China (Hong Kong) Limited
Wing Hang 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 Friday, 23rd August, 2002 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, 2002;
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 agreed 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 percent 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.”
5. “**THAT** conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval for the New Share Option Scheme referred to in the circular dispatched to the shareholders of the Company on the same day as the Notice, the terms of which are set out in the printed document marked “A” now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the “Scheme”) and subject to such amendments to the Scheme as the Stock Exchange may request, the Scheme be approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Scheme, notwithstanding that they or any of them may be interested in the same.”
6. “**THAT** subject to and conditional upon the passing of ordinary resolution numbered 5 set out in the Notice and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option scheme of the Company adopted on 3rd March, 1997 be hereby terminated with effect from the adoption of the Scheme (such that no further options could thereafter be offered under the existing share option scheme of the Company but in all other respects the provisions of the existing share option scheme of the Company shall remain in full force and effect).”

By Order of the Board
Fung Chi Ki
Company Secretary

Hong Kong, 26th July, 2002

Notice of Annual General Meeting

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 Tuesday, 20th August, 2002 to Friday, 23rd August, 2002 (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 Monday, 19th August, 2002.
- (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 announce the audited consolidated financial results of Kwong Hing International Holdings (Bermuda) Limited (the "Company") and its subsidiaries and associate (the "Group") for the year ended 31st March, 2002.

RESULTS

For the year ended 31st March, 2002, turnover was approximately HK\$336,032,000 which represents a decrease of approximately 9.5% compared to that of last year. Net loss attributable to shareholders was approximately HK\$20,303,000. This was mainly attributable to significant decrease in the gross margin as well as its gross profit and losses for approximately HK\$19,997,000 shared by the Group from its associate.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st March, 2002 (2001: Nil).

BUSINESS REVIEW

Sales of knitted fabrics and dyed yarns account for more than 90% of the Group's turnover for the year ended 31st March, 2002, substantially all of which are made to customers based in Hong Kong and all of the manufacturing operation of the Group are located in the People's Republic of China, other than Hong Kong.

For the year ended 31st March, 2002, the business environment was worse than that of last year. The US economy was seriously hit by the event of 11th September, which had a significant impact on the Group's business as the US provides the major market to the Group's customers whom had been cautious about the inventory policy to decrease stock level. Moreover, the keen competition from our rivals and the event of 11th September had resulted to a significant price reduction on our products, which narrowed our gross margin to approximately 7.3% from approximately 9.7% last year despite the measures on the control of operation cost had been taken. Consequently, gross profit decreased by approximately 32% to approximately HK\$24,441,000 from approximately HK\$35,926,000 last year.

During the year, management has focused on controlling its operation cost, under the extreme competitive environment, the Group could still maintain its production cost and overhead expenses at their normal level.

Chairman's Statement

During the year, the Group spent approximately HK\$15,157,000 on additions to property, plant and equipment to upgrade its factory and production facilities, for the purpose of enhancing its productivity and its product quality. These investments and previous capital investments have strengthened Group's competence, as well as its market position, and contributed additional revenues to the Group.

On 4th September, 2001, the Board put forward proposals under which the shareholders were invited to consider approving the Capital Re-organization and By-law Amendments, the details of which were set out in the circular dated 29th September, 2001. The above proposals had been approved subsequently by the shareholders in the special general meeting held on 22nd October, 2001.

On 19th November, 2001, the Company announced share placement and share subscription, pursuant to which 322,200,000 shares had been issued at the price of HK\$0.05 per share on 29th November, 2001. The net proceeds had been applied in accordance with the intended uses as stated in the announcement. The Board considered that the placement and subscription would increase the liquidity of the Company's shares in the stock market, and would also improve the financial strength and liquidity of the Group.

On 8th January, 2002, the Company announced that the Company would issue by way of 1,933,200,000 right shares of HK\$0.01 each in the share capital of the Company (the "Right Shares") on the basis of one Right Shares for every then issued share held on the close of business on 4th February, 2002 at a subscription price of HK\$0.04 per Right Shares payable in full on the acceptance. The right issue was completed on 5th March, 2002 and the Group raised a net amount of approximately HK\$75,000,000, of which, as at 31st March, 2002, approximately HK\$1,800,000 was used to repay bank indebtedness, and the balance was placed into short-term bank deposits.

PROSPECTS

As the global economy is not expected to be improved shortly, the Board believes the business environment in the coming year is expected to remain highly competitive and challenging, and the Group's business will not significantly improve in the near future, although the benefit from the enhanced production facilities will be steadily realized.

In order to combat with the difficult and competitive business environment, the Group will continuously upgrade its factory and production facilities so as to increase its productivity and to enhance its product quality and reduce our production cost. Moreover, the Group will continuously pursue its cautionary credit policy for its customers and continuously improve its product quality, cost and inventory control measures.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2002, the Group's shareholders' equity amounted to approximately HK\$362,258,000, while total bank indebtedness amounted to approximately HK\$21,867,000, and net cash on hand amounted to approximately HK\$121,649,000. Current ratio is 5.3. The Board believes that the Group's sound and healthy financial position will enable it to discharge its debts, finance its operation in such difficult and competitive business environment and explore other business development opportunities.

STAFF AND REMUNERATION POLICIES

As at 31st March, 2002, the Group had approximately 830 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group. The Board propose to adopt a new share option scheme ("Scheme") at the forthcoming annual general meeting to be held on 23rd August 2002. A circular setting out the terms and conditions of the Scheme will be sent to the shareholders.

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 bank as security for general banking facilities granted to the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers amounted to approximately 49% of the Group's total sales for the year, in which the sales to the largest customer represented approximately 14% of the total sales for the year.

Purchases from the five largest suppliers amounted to approximately 45% of the total purchases for the year while total purchases from the largest supplier represented approximately 16% of the total purchases for the year.

Chairman's Statement

To the best knowledge of the Directors, and 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 and suppliers during the year.

APPRECIATION

For and on behalf of the Board, I would like to express my sincere thanks to shareholders, my fellow directors, staff, suppliers and customers for their commitment and support to the Group during the year.

A handwritten signature in black ink, appearing to read 'Li Man Ching', with a long, sweeping underline that extends downwards and to the right.

Li Man Ching

Chairman

Hong Kong, 26th July, 2002

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. *Li Man Ching*, aged 43, 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 42, 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 38, 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 35, 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 41, 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 fourteen years' legal experience in Hong Kong.

Mr. *Lau Chung Man*, Louis, aged 43, 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 39, 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 a fellow 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 30, is the general sales 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 60, 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 38, 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 for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and an associate are set out in notes 33 and 15 respectively to the financial statements. In addition, details of the segmental information of the Group are set out in note 5 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 21 of the annual report.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the Company's rights issue and placement of shares and other movements in the share capital of the Company during the year are set out in note 23 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.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 25 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 Shun 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 Shun have entered into service contracts with the Company for the term commencing 1st March, 1999. All their appointments shall continue thereafter, subject to termination by either party giving at least three months' prior notice to the other party.

Other than as disclosed above, no 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, 2002, 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 shares held	
	Personal interests	Other interests (Note)
Mr. Li Man Ching	–	1,637,480,000
Ms. Li Mei Lin	–	1,637,480,000
Mr. Li Man Shun	–	1,637,480,000
Mr. Li Man Tak	56,200,000	1,637,480,000

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 1,637,480,000 shares of HK\$0.01 each in the Company.

Other than as disclosed above, none of the directors and 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.

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 for the primary purpose of providing incentives to directors and eligible employees. The subscription price shall not be 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 of Hong Kong Limited (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.

SHARE OPTION SCHEME - continued

Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The options granted under the Scheme can be exercised at any time within the period of maximum of ten years from the acceptance of the option.

The total number of shares in respect of which options may be granted and had already been granted to any individual should not exceed 25% of the maximum number of the shares in respect of which option may be granted under the Scheme.

During the year, no share option was granted or exercised under the Scheme.

In addition, an option to subscribe for 3,000,000 ordinary shares of HK\$0.10 each in the Company within the exercisable period from 3rd January, 2000 to 31st December, 2002 at exercise price of HK\$0.163 per share, which were granted to an employee and outstanding at 31st March, 2001, were surrendered during the year ended 31st March, 2002.

Save as disclosed above, at no time during the year was the Company or any of its 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, 2002.

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, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

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, 26th July, 2002

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

To the members of
Kwong Hing International Holdings (Bermuda) Limited
廣興國際控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 49 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

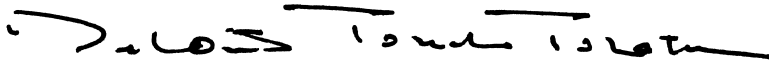
We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant 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

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, 2002 and of the loss 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, 26th July, 2002

Consolidated Income Statement

For the year ended 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	4	336,032	371,177
Cost of sales		<u>(311,591)</u>	<u>(335,251)</u>
Gross profit		24,441	35,926
Other revenue		1,147	2,311
Selling expenses		(7,360)	(6,110)
Administrative expenses		(22,368)	(18,718)
Recovery of (allowance for) bad and doubtful debts	6	2,081	(6,870)
Realised and unrealised holding gain on trading securities		<u>346</u>	<u>9</u>
(Loss) profit from operations	7	(1,713)	6,548
Finance costs	8	(34)	(347)
Impairment loss recognised in respect of other securities		–	(9,409)
Share of loss of an associate		<u>(19,997)</u>	<u>(13,277)</u>
Loss before taxation		(21,744)	(16,485)
Taxation	11	<u>(1,441)</u>	<u>(402)</u>
Net loss for the year	25	<u><u>(20,303)</u></u>	<u><u>(16,083)</u></u>
Loss per share	12		
Basic		<u><u>(1.09) cents</u></u>	<u><u>(1.01) cents</u></u>

Consolidated Balance Sheet

At 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Non-current assets			
Property, plant and equipment	13	116,070	123,684
Interest in an associate	15	6,656	26,653
Investments in securities	16	10	10
		<u>122,736</u>	<u>150,347</u>
Current assets			
Investments in securities	16	277	926
Inventories	17	59,728	49,290
Trade and other receivables	18	95,580	109,536
Bills receivable		999	2,616
Bank balances and cash		143,516	39,653
		<u>300,100</u>	<u>202,021</u>
Current liabilities			
Trade and other payables	20	30,817	32,587
Bills payable			
– secured		2,087	4,084
– unsecured		19,780	13,944
Taxation		3,763	3,739
Obligations under finance leases - due within one year	21	–	1,017
		<u>56,447</u>	<u>55,371</u>
Net current assets		<u>243,653</u>	<u>146,650</u>
Total assets less current liabilities		366,389	296,997
Non-current liability			
Deferred taxation	22	4,131	5,791
		<u>362,258</u>	<u>291,206</u>
CAPITAL AND RESERVES			
Share capital	23	38,664	161,100
Reserves	25	323,594	130,106
		<u>362,258</u>	<u>291,206</u>

The financial statements on pages 21 to 49 were approved and authorised for issue by the Board of Directors on 26th July, 2002 and are signed on its behalf by:



 CHAIRMAN


 DEPUTY CHAIRMAN

Balance Sheet

At 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Non-current asset			
Investments in subsidiaries	14	<u>84,948</u>	<u>84,948</u>
Current assets			
Investments in securities	16	277	926
Amounts due from subsidiaries	19	158,678	145,352
Other receivables		11	6
Bank balance		<u>58,066</u>	<u>137</u>
		217,032	146,421
Current liability			
Other payables		<u>335</u>	<u>410</u>
Net current assets		<u>216,697</u>	<u>146,011</u>
Total assets less current liability		<u><u>301,645</u></u>	<u><u>230,959</u></u>
CAPITAL AND RESERVES			
Share capital	23	38,664	161,100
Reserves	25	<u>262,981</u>	<u>69,859</u>
		<u><u>301,645</u></u>	<u><u>230,959</u></u>


 CHAIRMAN


 DEPUTY CHAIRMAN

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March, 2002

	2002	2001
	HK\$'000	HK\$'000
Exchange differences arising on translation of financial statements of overseas operations not recognised in the income statement	590	2,077
Net loss for the year	<u>(20,303)</u>	<u>(16,083)</u>
Total recognised losses	<u><u>(19,713)</u></u>	<u><u>(14,006)</u></u>

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	<u>28,282</u>	<u>63,863</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		937	1,940
Interest paid on finance leases		(33)	(209)
Interest paid on bank borrowings		<u>(1)</u>	<u>(138)</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>903</u>	<u>1,593</u>
TAXATION			
Hong Kong Profits Tax (paid) refunded		<u>(195)</u>	<u>28</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(15,157)	(24,236)
Proceeds from disposal of property, plant and equipment		72	–
Acquisition of interest in an associate		–	(39,930)
Purchase of investments in securities		<u>–</u>	<u>(179)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(15,085)</u>	<u>(64,345)</u>
NET CASH INFLOW BEFORE FINANCING		<u>13,905</u>	<u>1,139</u>

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
FINANCING	27		
Proceeds from issue of shares		93,438	–
Share issue expenses		(2,673)	(22)
Repayment of obligations under finance leases		(1,017)	(1,939)
NET CASH INFLOW (OUTFLOW) FROM FINANCING		<u>89,748</u>	<u>(1,961)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		103,653	(822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		39,653	39,764
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		<u>210</u>	<u>711</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		<u><u>143,516</u></u>	<u><u>39,653</u></u>

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
<hr/>		
(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
<hr/>		
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
<hr/>		
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
	<hr/>	<hr/>
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
<hr/>		
Not exceeding HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	4	4
	<hr/>	<hr/>

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
<hr/>		
Salaries and other benefits	714	645
Retirement benefit scheme contributions	12	4
	<hr/>	<hr/>
	<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	(1,660)	(470)
	<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 HK\$'000	2001 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 HK\$'000	2001 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.

Notes to the Financial Statements

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

For the year ended 31st March, 2002

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)
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)
At 31st March, 2002	290,976	–

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.

Financial Summary

RESULTS

	Year ended 31st March,				
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<u>400,748</u>	<u>374,397</u>	<u>343,664</u>	<u>371,177</u>	<u>336,032</u>
PROFIT (LOSS) BEFORE TAXATION	24,274	22,943	6,048	(16,485)	(21,744)
TAXATION	<u>3,371</u>	<u>1,857</u>	<u>(331)</u>	<u>(402)</u>	<u>(1,441)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>20,903</u>	<u>21,086</u>	<u>6,379</u>	<u>(16,083)</u>	<u>(20,303)</u>

ASSETS AND LIABILITIES

	As at 31st March,				
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	314,594	321,739	390,550	352,368	422,836
TOTAL LIABILITIES	<u>(131,277)</u>	<u>(117,307)</u>	<u>(94,556)</u>	<u>(61,162)</u>	<u>(60,578)</u>
SHAREHOLDERS' FUNDS	<u>183,317</u>	<u>204,432</u>	<u>295,994</u>	<u>291,206</u>	<u>362,258</u>