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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Li Man Ching (*Chairman*)
Li Mei Lin (*Deputy Chairman*)
Li Man Shun
Fung Chi Ki

Independent Non-Executive Directors

Tsui Wing Yin
Lau Chung Man, Louis
So Kin Wah

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

Cheng Wan Lam & Partners
Room 1105-1109
Jardine House
1 Connaught Place, Central
Hong Kong

Michael Li & Co
14/F, Printing House
6 Duddell Street, Central
Hong Kong

PRINCIPAL SHARE REGISTERS

Butterfield Corporate Services
Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Secretaries Limited
G/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Wing Hang Bank Ltd.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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, 2005.

RESULTS

For the year ended 31st March, the Group recorded a turnover of approximately HK\$528,537,000 representing a slight decrease 2.2% compared to that of last year, and gross profit and net profit are approximately HK\$54,588,000 and approximately HK\$1,300,000 respectively, which represented decrease of approximately 26.6% and approximately 96.1% respectively compared to that of last year. Decrease in turnover is attributable to the disposal of Sweetime Limited and its subsidiary which had a turnover contribution of approximately HK\$69,565,000 to the Group this year and had a turnover contribution of approximately HK\$125,928,000 to the Group last year. Taking out this factor, the Group's turnover increased by 10.8%. However, owing to the increase of raw material prices, particularly the cotton yarn price and other production costs, and also increased competition resulted in lower product prices, the Group's gross margin was decreased, despite various effective cost control measures, from 13.8% to 10.3%. As a result, the Group's net profit was only approximately HK\$1,300,000 for the year.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31st March, 2005.

BUSINESS REVIEW

The abolishment of quota among the members of WTO since the beginning of 2005 has induced a bright business outlook for the China textile industry, and has also induced a series of actions in US for the application of re-instate of the quota for certain China textile products, which brought a lot of disputes between US government and Chinese Government. Such uncertainties had delayed the order placement of our ultimate customers, which affected the Group's performance in the second half of this financial year, as US provide a major market to the

CHAIRMAN'S STATEMENT

Group's customers. During the second half of this financial year, the Group has re-structured its sales forces for market re-positioning, which gave a short-term adverse impact to the Group's performance, but the directors believed that long-term benefits will be realized from this change in the future.

Manufacture and sales of knitted fabric and dyed yarns remains the principal operation of the Group, its turnover including inter-segment sales has recorded approximately 9.2% growth over the last year. However, the production costs increased sharply because of the increase of the price of the cotton yarn, dyed material and coal, salary and wages in China, which resulted in reduction of operating margin to only approximately 1.3%. The Group commenced its investments in garment manufacturing in October 2004, and the garment manufacturing has commenced operation in January 2005. Manufacturing and sales of garment has recorded a turnover of approximately HK\$93,536,000 with a operating margin of approximately 1.8% after the absorption of cost for establishment of the operation.

During the year, management focused on controlling its operating cost and enhancing its competitive position. Under the extreme competitive environment, the Group managed to control its other production cost and overhead expenses at competitive level. The Group had also continued its prudent and conservative customers' credit policy and monitored closely its inventory level as well as production requirements. These measures also enable the Group to maintain a healthy cash level.

In October 2004, the Group disposed its entire interest in Sweetime Limited ("Sweetime") and shareholder's loan of approximately HK\$5,797,000 for a cash consideration of HK\$5,800,000. Sweetime is an investment holding company which has 70% interest in South Season Industrial Company Limited. Details of the disposal were set out in the circular to the shareholders of the Company dated 19th November, 2004.

During the year, the Group invested approximately HK\$17,453,000 in property, plant and equipment to upgrade its factory and production facilities as to increase its productivity and to enhance its production quality. Together with the capital investments in previous years, the Group is able to satisfy the increasing demands of its product at better economies of scales.

CHAIRMAN'S STATEMENT

Trading in the shares of the Company was suspended at the direction of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") till 19th October, 2004 due to a director, whom subsequently resigned from the Board, suspected of conspiracy to offer advantage to an agent and to cause such agent to purchase and hold Company's shares ("Incidence"), detail of which refer to Company's announcement dated 18th October, 2004. The Incidence did not bring about any material adverse effects on the Company's operations or financial positions, nor the Incidence would bring about any change in directions and focus of the Company. The Company is committed to its mission to further develop its business in view of the vast market opportunity lying ahead and to create profits and shareholders value for our shareholders.

PROSPECTS

Looking forward, the demand of the Group's product is expected to increase because of the continual strengthening of the US economy, the certainties of the quota dispute between China and US and the decrease and stabilization of the cotton price. However, the above other unfavourable factors will continuously affect the Group's performance. The Group will continuously upgrade its factory and production facilities so as to increase its productivity and to enhance its product quality to cope with these changes. The directors believe that long term benefit derive from expansion of production facilities to cater for increasing demands and to enjoy the benefit of economy of scales are crucial to the Group's profitability. The Group will also continuously pursue its cautionary credit policy for its customers and continuously improve its product quality, cost and inventory control measures.

In market front, the Group will strive to expand into the Asian and the PRC markets so as to expand the Group's customers base and to reduce the reliance on the US markets

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2005, the Group's shareholders' equity amounted to HK\$393,175,000, while total bank indebtedness amounted to approximately HK\$15,932,000, and cash on hand amount to approximately HK\$42,132,000. The Group's bank indebtedness to equity ratio is only 0.04. Current ratio is 4.4. The Board believes that the Group's sound and healthy financial position will enable it to finance its operation and explore other business development opportunities.

CHAIRMAN'S STATEMENT

As at 31st March, 2005, the Group hold a long-term high graded securities investments of approximately HK\$15,600,000 including HK\$7,800,000 of which has been pledged to a bank as security for general banking facilities granted to the Group.

As at 31st March, 2005, the Group's contingent liabilities in relation to bills discounted with recourse were HK\$4,281,000.

The Groups' assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars, the exchange rate between them are relative stable, and therefore the Group's exposure to currency exchange risk was minimal.

STAFF AND REMUNERATION POLICIES

As at 31st March, 2005, the Group had approximately 1,560 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company are decided by the board of directors, as authorised by the shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the option holders to participate and contribute the growth of the Group.

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\$2,371,000, investment in security of approximately HK\$7,800,000 and bank deposit of HK\$4,000,000 were pledged to banks as security for general banking facilities granted to the Group.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the year, sales to the five largest customers amounted to approximately 28.25% of the Group's total sales for the year, in which the sales to the largest customer represented approximately 11.17% of the total sales for the year.

CHAIRMAN'S STATEMENT

Purchases from the five largest suppliers amounted to approximately 28.64% of the total purchases for the year while total purchases from the largest supplier represented approximately 12.54% of the total purchases for the year.

To the best knowledge of the Directors, and save as disclosed above, none of the Directors, their associates 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 gratitude to our management and staff, as well as our shareholders, customers and suppliers, for their commitment and support extended to the Group in the past year.

Li Man Ching

Chairman

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Li Man Ching, aged 46, 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 45, 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 41, is a co-founder of the Group. He is responsible for the production facilities in the PRC, overseeing both the dyeing and the knitting operation. He has over 15 years' experience in the textiles industry in the area of production. Mr. Li Man Shun a younger brother of Mr. Li Man Ching.

Mr. Fung Chi Ki, aged 42, is the Group's chief financial officer and company secretary of the Company. He is member of the Hong Kong Certified Public Accountants and a fellow of the Chartered Institute of Management Accountant. He has over thirteen years' experience in accounting and finance before he joined the Group in July 1998.

Independent Non-executive Directors

Mr. Tsui Wing Yin, aged 44, is a solicitor in Hong Kong. He graduated from the University of Essex in the United Kingdom with a Bachelor of Laws degree with honours. He has over fourteen years' legal experience in Hong Kong.

Mr. Lau Chung Man, Louis, aged 46, is an executive director 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 member of the Hong Kong Institute of Certified Public Accountants.

Mr. So Kin Wah, age 46, holds a master degree in science in construction project management from The University of Hong Kong, and is member of Royal Institution of Chartered Surveyors, The Hong Kong Institute of Surveyors, the Chartered Institute of Building, and The Chartered Institute of Arbitrators.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT (continued)

Management

Mr. Kwan Chui Shui, aged 33, 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. Tse Chi Sing, aged 45, is the production manager responsible for the fabric setting operations at the Group's production facilities in the PRC. He has over 15 years' experience in fabric setting. He joined the Group in April 2001.

Mr. Leung Ho Yin, aged 46, is the production manager responsible for yarn dyeing at the Group production facilities in the PRC. He has over 15 years' experience in this field. He joined the Group in November 2002.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 19 of the annual report.

The directors do not recommend the payment of a dividend and proposed that the profit for the year be retained.

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.

SUBSIDIARIES

In October 2004, the Group has disposed of its entire equity interest in Sweetime Limited ("Sweetime") and in the shareholder's loans of approximately HK\$5,797,000 for a cash consideration of HK\$5,800,000 to Mr. Chiu Ka Lun ("Mr. Chiu"), a director of South Season Industrial Company Limited ("South Season"). Sweetime is an investment holding company which has a 70% direct interest in South Season, which is engaged in trading of garments.

The disposal of Sweetime was completed on 27th October, 2004, details of which were set out in the circular to the shareholders of the Company dated 19th November, 2004.

Details of the Company's principal subsidiaries at 31st March, 2005 are set out in note 34 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of 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.

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. Fung Chi Ki

Mr. Li Man Tak (resigned on 31st May, 2004)

Independent non-executive directors:

Mr. Lau Chung Man, Louis

Mr. Tsui Wing Yin

Mr. So Kin Wah (appointed on 1st April, 2004)

In accordance with Article 110(A) of the Company's Bye-laws, Mr. Li Man Ching, Ms. Li Mei Lin and Mr. Lau Chung Man, Louis shall 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' REPORT

DIRECTORS' SERVICE CONTRACTS

Messrs. Mr. Li Man Ching, Ms. Li Mei Lin and Mr Lau Chung Man, Louis have entered into service contracts with the Company for the term commencing 1st March, 2004, 1st March 2004 and 1st March, 1999, respectively. 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 director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2005, the interests of the directors, the chief executives and their associates in the shares and underlying shares of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long position

Name of director	Number of ordinary shares		Interest in underlying shares pursuant to share option	Aggregated interest	Percentage of the issued share capital of the Company
	Personal interests	Other interests			
Ms. Li Mei Lin	-	163,748,000	1,500,000	165,248,000	42.5%
Mr. Li Man Shun	-	163,748,000	-	163,748,000	42.1%
Mr. Fung Chi Ki	-	-	1,933,200	1,933,200	0.5%

Note: Ms. Li Mei Lin and Mr. Li Man Shun beneficially own 30,600 shares and 29,700 shares, respectively, in Rayten Limited, representing, 34 per cent and 33 per cent, respectively, of the issued share capital of Rayten Limited, which in turn owns 163,748,000 shares of HK\$0.10 each in the Company.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Other than as disclosed above, none of the directors, chief executives, nor their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 31st March, 2005.

SHARE OPTION SCHEME

Details of the Company's share options scheme are set out in note 24 to the financial statements.

The following table discloses movements in the Company's share option scheme during the year:

Categories	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				At 1.4.2004	Cancelled	At 31.3.2005
I. Directors/former director						
Ms. Li Mei Lin	17.9.2003	17.9.2003 to 16.9.2006	1.62	1,500,000	-	1,500,000
Mr. Li Man Tak *	17.9.2003	17.9.2003 to 16.9.2006	1.62	1,500,000	(1,500,000)	-
Mr. Fung Chi Ki	2.11.2002	2.11.2002 to 1.11.2012	0.51	1,933,200	-	1,933,200
				<u>4,933,200</u>	<u>(1,500,000)</u>	<u>3,433,200</u>
II. Employees in aggregate	18.8.2003 2.11.2002	1.3.2004 to 30.9.2006 2.11.2002 to 1.11.2012	1.67 0.51	3,865,000 15,465,600	(615,000) -	3,250,000 ** 15,465,600
				<u>19,330,600</u>	<u>(615,000)</u>	<u>18,715,600</u>
Total for all categories				<u>24,263,800</u>	<u>(2,115,000)</u>	<u>22,148,800</u>

DIRECTORS' REPORT

SHARE OPTION SCHEME (continued)

- * Mr. Li Man Tak resigned on 31st May, 2004 and the share options held was cancelled on 14th July, 2004.
- ** The maximum percentage of the share option that may be exercised is determined in the stages as follows:

	Percentage of share options granted
Within 1 year after completion of at least one year service	30%
Within 2 years after completion of at least one year service	another 30%
2 years after completion of at least one year service but before expiry	another 40%

Other than the share option scheme of the Company 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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at 31st March, 2005.

CONNECTED TRANSACTIONS

On 31st May, 2004, a master supply agreement ("Master Supply Agreement") was entered into between South Season, a then non-wholly owned subsidiary, and Actex Textiles Limited ("Actex") for a period of three years from 1st April, 2004 to 31st March, 2007, with the cap amount of HK\$10,000,000 on the sales with Actex for each of the three years ended 31st March, 2007. Actex is a company owned as to 82% by Mr. Chiu and 18% by Mr. Lau Chi Wing, both of whom are also directors of South Season. The transactions under the Master Supply Agreement are regarded as connected transactions pursuant to Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS (continued)

On 27th October, 2004, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Mr. Chiu to dispose of the entire equity interest in, and shareholder's loan with, Sweetime, which has a 70% interest in South Season. Mr. Chiu is a director and substantial shareholder of South Season. The transaction with Mr. Chiu constituted connected transaction under the Listing Rules of the Stock Exchange.

For the period from 1st April, 2004 and up to the date of disposal of Sweetime, South Season sold goods of approximately HK\$9,687,000 to Actex.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available to independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company are decided by the board of directors, as authorised by the shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the options holders to participate and contribute the growth of the Group.

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.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

The Company has adopted the Model Code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2005.

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, 2005

Deloitte. **德勤**

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

We have audited the financial statements on pages 19 to 61 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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, 2005 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, 26th July, 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2005

		2005	2004
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	528,537	540,167
Cost of sales		(473,949)	(465,805)
Gross profit		54,588	74,362
Other operating income		713	4,659
Selling expenses		(13,826)	(15,707)
Administrative and other operating expenses		(37,280)	(27,937)
Profit from operations	6	4,195	35,377
Finance costs	7	(641)	(219)
Profit before taxation		3,554	35,158
Income tax expense	10	(551)	(1,621)
Profit after taxation		3,003	33,537
Minority interests		(1,703)	92
Net profit for the year		1,300	33,629
Dividends	11	-	9,714
Earnings per share	12		
Basic		0.3 cents	8.7 cents
Diluted		N/A	8.4 cents

CONSOLIDATED BALANCE SHEET

At 31st March, 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Property, plant and equipment	13	146,791	146,650
Goodwill	15	-	13,725
Textile quota entitlements	16	-	13,753
Deferred tax assets	22	-	1,546
Investments in securities	17	15,600	-
		162,391	175,674
Current assets			
Investments in securities	17	-	8,561
Inventories	18	168,330	162,640
Trade and other receivables	19	99,087	119,025
Bills receivable		1,167	7,470
Pledged bank deposits		4,000	3,688
Bank balances and cash		38,132	23,179
		310,716	324,563
Current liabilities			
Trade and other payables	20	49,205	65,248
Bills payable		15,932	3,649
- secured		-	18,896
- unsecured		-	-
Taxation		3,379	4,958
Obligations under finance leases	21	2,283	-
Secured bank loan		-	6,202
		70,799	98,953
Net current assets		239,917	225,610
Total assets less current liabilities		402,308	401,284
Non-current liabilities			
Obligations under finance leases	21	3,885	-
Deferred tax liabilities	22	4,911	5,978
		8,796	5,978
Minority interests		337	3,431
		393,175	391,875
Capital and reserves			
Share capital	23	38,857	38,857
Reserves		354,318	353,018
		393,175	391,875

The financial statements on pages 19 to 61 were approved and authorised for issue by the Board of Directors on 26th July, 2005 and are signed on its behalf by:



CHAIRMAN



DEPUTY CHAIRMAN

BALANCE SHEET

At 31st March, 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
Non-current asset			
Investments in subsidiaries	14	<u>84,948</u>	<u>84,948</u>
Current assets			
Investments in securities	17	-	8,561
Amounts due from subsidiaries	14	246,536	240,453
Other receivables		11	794
Bank balance		<u>158</u>	<u>38</u>
		246,705	<u>249,846</u>
Current liabilities			
Other payables		66	201
Amount due to a subsidiary	14	-	<u>3,500</u>
		<u>66</u>	<u>3,701</u>
Net current assets		246,639	<u>246,145</u>
Total assets less current liabilities		331,587	<u>331,093</u>
Capital and reserves			
Share capital	23	38,857	38,857
Reserves	25	292,730	<u>292,236</u>
		331,587	<u>331,093</u>



CHAIRMAN



DEPUTY CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2005

	Share capital	Share premium account	Contributed surplus	Translation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st April, 2003	38,664	129,660	122,652	(278)	89,100	379,798
Dividends paid	-	-	-	-	(22,537)	(22,537)
Issue of shares	193	792	-	-	-	985
Net profit for the year	-	-	-	-	33,629	33,629
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March, 2004	38,857	130,452	122,652	(278)	100,192	391,875
Net profit for the year	-	-	-	-	1,300	1,300
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March, 2005	<u>38,857</u>	<u>130,452</u>	<u>122,652</u>	<u>(278)</u>	<u>101,492</u>	<u>393,175</u>

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2005

	2005	2004
<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit from operations	4,195	35,377
Adjustments for:		
Amortisation of goodwill	1,213	1,039
Allowance for bad and doubtful debts	2,654	–
Amortisation of textile quota entitlements	12,086	5,000
Depreciation and amortisation	23,470	24,197
Impairment loss on goodwill	1,870	–
Interest income	(81)	(269)
Gain on disposal of property, plant and equipment	–	(650)
Realised and unrealised holding gain on trading securities	(90)	(510)
Investment income from investments in securities	–	(2,360)
Operating cash flows before movements in working capital	45,317	61,824
Increase in inventories	(5,690)	(53,973)
Decrease (increase) in trade and other receivables	5,210	(29,308)
Decrease in bills receivable	6,303	1,367
Increase in trade and other payables	1,796	9,392
Decrease in bills payable	(6,613)	(1,305)
Cash from (used in) operations	46,323	(12,003)
Income taxes paid	(188)	(2,169)
Interest paid	(641)	(219)
Interest received	81	269
NET CASH FROM (USED IN) OPERATING ACTIVITIES	45,575	(14,122)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(17,453)	(42,070)
Purchase of investments in securities		(15,600)	(6,494)
Increase in pledged bank deposit		(312)	(3,688)
Proceeds from disposal of trading securities		8,651	38,770
Disposal of a subsidiary	26	5,426	-
Proceeds from disposal of property, plant and equipment		-	770
Acquisition of a subsidiary	27	-	(18,425)
Proceeds from disposal of a subsidiary in prior year		-	7,030
Dividend received from investment in securities		-	2,360
NET CASH USED IN INVESTING ACTIVITIES		(19,288)	(21,747)
FINANCING ACTIVITIES			
Repayment of bank loan		(6,202)	-
Repayments of obligations under finance leases		(832)	-
Dividend paid to minority shareholders		(4,800)	(750)
Contribution from minority shareholder of a subsidiary		500	-
Dividend paid		-	(22,537)
Issue of shares		-	985
New bank loan raised		-	6,202
NET CASH USED IN FINANCING ACTIVITIES		(11,334)	(16,100)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		14,953	(51,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		23,179	75,148
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		38,132	23,179

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

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 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 and garment products.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 "Business Combination". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combination for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has already commenced an assessment of the impact of the new HKFRSs and identified that the following HKFRSs may have a material effect on how the results of operations and financial positions are prepared and presented as described below:

HKFRS 2 "Share-based Payment"

HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of directors' and employees' share options of the Company. Currently, the Group does not expense the share options issued by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

HKFRS 2 "Share-based Payment" (continued)

The Group intends to take advantage of the transitional provisions set out in HKFRS 2. In relation to share options granted on or before 7th November 2002 and share options granted after 7th November 2002 and vested before 1st April 2005, the Group does not intend to recognise and expense those share options. However, in relation to share options granted after 7th November 2002 and vested on or after 1st January, 2005, such share options should be accounted for retrospectively in accordance with HKFRS 2. However, the Group is not yet in a position to determine its impact on its results of operation and financial position.

In relation to other new HKFRSs, the Group does not expect that the adoption of the other new HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

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

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, is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Sales of investments in securities are recognised when the sales contract becomes unconditional.

Dividend income from trading in securities is recognised when the Group's right to receive payment has been established.

Property, plant and equipment

Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. No depreciation or amortisation is provided on construction in progress until the construction is completed and the assets are ready for use. Cost of completed construction are transferred to the appropriate categories of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Other property, plant and equipment

Property, plant and equipment, other than construction in progress, 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, other than construction in progress, 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 on the same basis as assets owned by the Group.

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.

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. An impairment loss is recognised as an expense immediately.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Textile quota entitlements

Textile quotas entitlements represents permanent quotas that are stated at cost less accumulated amortisation and accumulated impairment losses. The cost of permanent quota entitlements is amortised on a systematic basis over its estimated useful economic life.

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 year. 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 year.

Assets held under finance lease

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 values 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 income statement over the period of the relevant lease 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 income statement on a straight-line basis over the relevant lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

Payments to defined contribution retirement benefit plan, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing 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 prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances, by the Group to outside customers during the year and is analysed as follows.

	2005	2004
	HK\$'000	HK\$'000
Manufacture and sale of knitted fabric and dyed yarns	435,001	412,439
Manufacturing and trading of garment products	93,536	127,728
	528,537	540,167

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. SEGMENTAL INFORMATION

Business segment

For management purpose, the Group is currently organised into two business activities: (i) manufacture and sale of knitted fabric and dyed yarns; and (ii) manufacturing and trading of garment products. These activities are the basis on which the Group reports its primary segment information.

Segment information about these activities is presented below:

For the year ended 31st March, 2005

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Manufacturing and trading of garment products <i>HK\$'000</i>	Eliminated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	435,001	93,536	-	528,537
Inter-segment sale	18,821	-	(18,821)	-
Total turnover	<u>453,822</u>	<u>93,536</u>	<u>(18,821)</u>	<u>528,537</u>
RESULTS				
Segment results	5,975	1,663		7,638
Other operating income				713
Amortisation of goodwill	-	(1,213)		(1,213)
Impairment loss recognised in respect of goodwill	-	(1,870)		(1,870)
Unallocated corporate expenses				<u>(1,073)</u>
Profit from operations				4,195
Finance costs				<u>(641)</u>
Profit before taxation				3,554
Income tax expense				<u>(551)</u>
Profit after taxation				3,003
Minority interests				<u>(1,703)</u>
Net profit for the year				<u>1,300</u>

* Inter-segment sales were charged at terms determined and agreed between the group companies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. SEGMENTAL INFORMATION (continued)

Business segment (continued)

For the year ended 31st March, 2004

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Trading of garment products <i>HK\$'000</i>	Eliminated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	412,439	127,728	-	540,167
Inter-segment sale	3,329	-	(3,329)	-
Total turnover	<u>415,768</u>	<u>127,728</u>	<u>(3,329)</u>	<u>540,167</u>
RESULTS				
Segment results	34,527	(2,019)		32,508
Other operating income				4,659
Amortisation of goodwill	-	(1,039)		(1,039)
Unallocated corporate expenses				(751)
Profit from operations				35,377
Finance costs				(219)
Profit before taxation				35,158
Income tax expense				(1,621)
Profit after taxation				33,537
Minority interests				92
Net profit for the year				<u>33,629</u>

* Inter-segment sales were charged at terms determined and agreed between the group companies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. SEGMENTAL INFORMATION (continued)

BALANCE SHEET

At 31st March, 2005

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Manufacturing and trading of garment products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	454,883	18,055	472,938
Unallocated corporate assets			169
Consolidated total assets			<u>473,107</u>
LIABILITIES			
Segment liabilities	64,273	4,177	68,450
Unallocated corporate liabilities			11,145
Consolidated total liabilities			<u>79,595</u>

OTHER INFORMATION

For the year ended 31st March, 2005

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Manufacturing and trading of garment products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	19,696	4,757	24,453
Depreciation and amortisation	23,104	366	23,470
Amortisation of goodwill	-	1,213	1,213
Amortisation of textile quota entitlements	-	12,086	12,086
Impairment loss recognised in respect of goodwill	-	1,870	1,870

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. SEGMENTAL INFORMATION (continued)

BALANCE SHEET

At 31st March, 2004

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Trading of garment products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	409,906	52,563	462,469
Unallocated corporate assets			37,768
Consolidated total assets			<u>500,237</u>
LIABILITIES			
Segment liabilities	60,031	32,519	92,550
Unallocated corporate liabilities			12,381
Consolidated total liabilities			<u>104,931</u>

OTHER INFORMATION

For the year ended 31st March, 2004

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Trading of garment products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	42,070	24,524	66,594
Depreciation and amortisation	23,956	241	24,197
Amortisation of goodwill	–	1,039	1,039
Amortisation of textile quota entitlements	–	5,000	5,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. SEGMENTAL INFORMATION (continued)

Geographical segments

An analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and services, is presented below:

	2005	2004
	HK\$'000	HK\$'000
United States of America	120,783	127,728
The People's Republic of China (the "PRC") including Hong Kong	407,754	412,439
	528,537	540,167

Substantially all the carrying amount of segment assets at 31st March, 2004 and 2005 and capital additions for the year ended 31st March, 2004 and 2005 are located in the PRC, including Hong Kong. Accordingly, no analysis of the Group's carrying amount of segment assets and capital additions by geographical area is presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

6. PROFIT FROM OPERATIONS

	2005	2004
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration:		
– Salaries and other benefits	34,494	28,007
– Retirement benefit scheme contributions	498	395
Total staff costs	34,992	28,402
Auditors' remuneration	720	760
Depreciation and amortisation on property, plant and equipment	23,470	24,197
Amortisation of goodwill, included in administrative and other operating expenses	1,213	1,039
Amortisation of textile quota entitlements, including in cost of sales	12,086	5,000
Allowance for bad and doubtful debt	2,654	–
Impairment loss recognised in respect of goodwill	1,870	–
and after crediting:		
Dividend income from trading securities	–	2,360
Gain on disposal of property, plant and equipment	–	650
Interest income from banks	81	269
Realised and unrealised holding gain on trading securities	90	510

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

7. FINANCE COSTS

	2005	2004
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	568	219
Finance lease	73	–
	641	219

8. DIRECTORS' EMOLUMENTS

	2005	2004
	HK\$'000	HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	265	180
Other emoluments (executive directors):		
Salaries and other benefits	3,777	3,969
Retirement benefit scheme contributions	43	43
Total emoluments	4,085	4,192

The emoluments of the directors were within the following bands:

	2005	2004
	Number of directors	Number of directors
Not exceeding HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	2	2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments in the Group, four (2004: four) were directors of the Company, details of whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining individual were as follows:

	2005	2004
	HK\$'000	HK\$'000
Salaries and other benefits	817	1,292
Retirement benefit scheme contributions	7	-
	824	1,292

10. INCOME TAX EXPENSE

	2005	2004
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	320	1,578
Other jurisdictions	223	511
	543	2,089
Deferred taxation (note 22)		
Current year	8	(468)
	551	1,621

Hong Kong Profits Tax is calculated at 17.5% of the estimated profit for both years. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

10. INCOME TAX EXPENSE (continued)

The taxation for the year can be reconciled to the profit before taxation per the income statement as follows:

	2005	2004
	HK\$'000	HK\$'000
Profit before taxation	3,554	35,158
Tax at the domestic income tax rate of 17.5%	622	6,153
Tax effect of expenses that are not deductible in determining taxable profit	1,065	364
Tax effect of income that is not taxable in determining taxable profit	(116)	(516)
Utilisation of tax losses previously not recognised	(43)	(96)
Tax effect of tax losses not recognised	1,091	81
Effect of different tax rate of subsidiaries operating in other jurisdictions	(2,068)	(4,365)
Taxation for the year	551	1,621

Details of deferred taxation are set out in note 22.

11. DIVIDENDS

	2005	2004
	HK\$'000	HK\$'000
2004 Interim, paid – HK2.5 cents per share	-	9,714

No dividend was paid or proposed for the year ended 31st March, 2005, nor has any dividend been proposed since the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2005	2004
	HK\$'000	HK\$'000
Net profit for the year	1,300	33,629
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	388,573,200	387,870,698
Effect of dilutive potential ordinary shares in respect of share options	N/A	11,073,101
Weighted average number of ordinary shares for the purposes of diluted earnings per share	N/A	398,943,799

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the year ended 31st March, 2005 because (i) the average market price of the shares of the Company cannot be determined as the shares of the Company were suspended from trading on the Stock Exchange from 26th February, 2004 to 19th October, 2004 and (ii) the exercise price of those options is higher than the average market price for shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	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, 2004	3,112	21,087	246,502	25,538	14,997	311,236
Additions	5,811	-	12,668	5,559	415	24,453
Transfer	(8,842)	-	-	8,842	-	-
Disposal of subsidiaries	-	-	-	(643)	(1,870)	(2,513)
Disposals	-	-	-	-	(175)	(175)
At 31st March, 2005	81	21,087	259,170	39,296	13,367	333,001
DEPRECIATION AND AMORTISATION						
At 1st April, 2004	-	3,793	135,996	14,654	10,143	164,586
Provided for the year	-	422	16,587	4,493	1,968	23,470
Eliminated on disposal of subsidiaries	-	-	-	(607)	(1,064)	(1,671)
Eliminated on disposals	-	-	-	-	(175)	(175)
At 31st March, 2005	-	4,215	152,583	18,540	10,872	186,210
NET BOOK VALUES						
At 31st March, 2005	81	16,872	106,587	20,756	2,495	146,791
At 31st March, 2004	3,112	17,294	110,506	10,884	4,854	146,650

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings held under:		
Medium-term leases in Hong Kong	2,803	2,876
Medium-term land use rights in the PRC	14,069	14,418
	16,872	17,294

The net book value of plant and machinery includes an amount of approximately HK\$5,771,000 (2004: nil) in respect of assets held under finance leases.

14. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	84,948	84,948
Amounts due from subsidiaries	246,536	240,453
Amount due to a subsidiary	-	3,500

The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

Details of the Company's subsidiaries at 31st March, 2005 are set out in note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

15. GOODWILL

	<i>HK\$'000</i>
<hr/>	
COST	
At 1st April, 2004	14,764
Disposal of subsidiaries	(14,764)
	<hr/>
At 31st March, 2005	–
	<hr/>
AMORTISATION AND IMPAIRMENT	
At 1st April, 2004	1,039
Charge for the year	1,213
Impairment loss recognised	1,870
Eliminated on disposal of subsidiaries	(4,122)
	<hr/>
At 31st March, 2005	–
	<hr/>
NET BOOK VALUES	
At 31st March, 2005	–
	<hr/> <hr/>
At 31st March, 2004	13,725
	<hr/> <hr/>

The directors of the Group reassessed the carrying amount of the goodwill on 30th September, 2004 based on the net realisable value. An impairment loss of approximately HK\$1,870,000 has been identified and recognised in the income statement for the year ended 31st March, 2005.

Goodwill was amortised over its estimated useful life of 7 years and the amount was fully eliminated on the disposal of the entire equity interest in and shareholder's loan to Sweetime Limited ("Sweetime") on 27th October, 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

16. TEXTILE QUOTA ENTITLEMENTS

	<i>HK\$'000</i>
THE GROUP	
COST	
At 1st April, 2004	18,753
Disposal of a subsidiary	(18,753)
	<hr/>
At 31st March, 2005	–
	<hr/>
AMORTISATION	
At 1st April, 2004	5,000
Provided for the year	12,086
Elimination on disposal of a subsidiary	(17,086)
	<hr/>
At 31st March, 2005	–
	<hr/>
NET BOOK VALUES	
At 31st March, 2005	–
	<hr/> <hr/>
At 31st March, 2004	13,753
	<hr/> <hr/>

The textile quota entitlements were amortised on a systematic basis over its estimated useful life and amounts were fully eliminated on the disposal of Sweetime.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

17. INVESTMENTS IN SECURITIES

	THE GROUP				THE COMPANY	
	Held to maturity		Trading securities		Trading securities	
	debt securities					
	2005	2004	2005	2004	2005	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Overseas listed equity securities	-	-	-	8,561	-	8,561
Unlisted debt securities	15,600	-	-	-	-	-
Market value of listed securities	N/A	N/A	-	8,561	-	8,561
Carrying amount analysed for reporting purposes as:						
Current	-	-	-	8,561	-	8,561
Non-current	15,600	-	-	-	-	-
	15,600	-	-	8,561	-	8,561

18. INVENTORIES

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	107,948	112,574
Work in progress	50,628	50,066
Finished goods	9,754	-
	168,330	162,640

All inventories were carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

19. TRADE AND OTHER RECEIVABLES

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.

Included in trade and other receivables of the Group are trade receivables of approximately HK\$94,603,000 (2004: HK\$91,376,000).

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 60 days	59,169	60,397
61 – 90 days	16,260	10,676
91 – 120 days	7,355	15,910
Over 120 days	11,819	4,393
	94,603	91,376

20. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of approximately HK\$33,434,000 (2004: HK\$43,264,000).

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 60 days	28,363	27,688
61 – 90 days	3,245	5,596
Over 90 days	1,826	9,980
	33,434	43,264

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable under finance leases within one year	2,453	–	2,283	–
In the second to fifth year	3,998	–	3,885	–
	6,451	–	6,168	–
Less: Future finance charges	(283)	–	–	–
Present value of lease obligations	6,168	–	6,168	–
Less: Amount due within one year shown under current liabilities			(2,283)	–
Amount due after one year			3,885	–

It is the Group's policy to lease certain of its plant and machinery using finance leases. The average lease term is three years. For the year ended 31st March, 2005, the average effective borrowing rate was 3.08%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

22. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Textile quotas <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2003	(7,718)	2,818	–	(4,900)
(Credit) charge to consolidated income statement	(2,150)	1,072	1,546	468
At 31st March, 2004	(9,868)	3,890	1,546	(4,432)
Charge (credit) to consolidated income statement	1,442	(375)	(1,075)	(8)
Elimination on disposal of a subsidiary	–	–	(471)	(471)
At 31st March, 2005	<u>(8,426)</u>	<u>3,515</u>	<u>–</u>	<u>(4,911)</u>

The Company has no significant deferred taxation at the balance sheet date.

For the purpose of balance sheet presentation, certain deferred tax asset and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	2005 HK\$'000	2004 <i>HK\$'000</i>
Deferred taxation liabilities	(4,911)	(5,978)
Deferred tax assets	–	1,546
	<u>(4,911)</u>	<u>(4,432)</u>

At 31st March, 2005, the Group has unused tax losses of HK\$6,696,000 (2004: HK\$462,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

23. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each at 31st March, 2004 and 31st March, 2005	5,000,000,000	500,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each at 1st April, 2003	386,640,000	38,664
Issue of shares	1,933,200	193
Ordinary shares of HK\$0.10 each at 31st March, 2004 and 31st March, 2005	388,573,200	38,857

24. SHARE OPTION SCHEME

On 28th August, 2002, the Company adopted the existing share option scheme (the "Scheme") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time that determined by the Board at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "Participants"), to strive for future developments and expansion of the Group. The Scheme will be ending on 27th August, 2012.

Under the Scheme, the board of directors of the Company may grant options to Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) a price being the average of the closing prices of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer date and (iii) the nominal value of a share, subject to a maximum of 38,644,000 shares, representing approximately 10% of the issued share capital of the Company as at the date of adoption of Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

24. SHARE OPTION SCHEME (continued)

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

All options granted shall be accepted with 21 days and have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company.

The following table discloses movements during the year in the scheme:

Category	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					
				At 1.4.2003	Granted	Exercised	At 31.3.2004	Cancelled	At 31.3.2005
<i>1. Directors/ former director</i>									
Ms. Li Mei Lin	17.9.2003	17.9.2003 to 16.9.2006	1.62	-	1,500,000	-	1,500,000	-	1,500,000
Mr. Li Man Tak *	17.9.2003	17.9.2003 to 16.9.2006	1.62	-	1,500,000	-	1,500,000	(1,500,000)	-
Mr. Fung Chi Ki **	2.11.2002	2.11.2002 to 1.11.2012	0.51	1,933,200	-	-	1,933,200	-	1,933,200
				1,933,200	3,000,000	-	4,933,200	(1,500,000)	3,433,200
<i>2. Employees in aggregate</i>									
	18.8.2003	1.3.2004 to 30.9.2006 ***	1.67	-	3,865,000	-	3,865,000	(615,000)	3,250,000
	2.11.2002	2.11.2002 to 1.11.2012	0.51	17,398,800	-	(1,933,200)	15,465,600	-	15,465,600
				17,398,800	3,865,000	(1,933,200)	19,330,600	(615,000)	18,715,600
				19,332,000	6,865,000	(1,933,200)	24,263,800	(2,115,000)	22,148,800

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

24. SHARE OPTION SCHEME (continued)

- * Mr. Li Man Tak resigned as director on 31st May, 2004 and the share options held by Mr. Li Man Tak was cancelled on 14th July, 2004.
- ** Mr. Fung Chi Ki was appointed as director on 19th December, 2003.
- *** The Maximum percentage of the share option that may be exercised is determined in the stages as follows:

	Percentage of share options granted
Within 1 year after completion of at least one year service	30%
Within 2 years after completion of at least one year service	another 30%
2 years after completion of at least one year service but before expiry	another 40%

The closing price of the shares of the Company for the year ended 31st March, 2004 immediately before the date on which the option were exercised was HK\$1.28. Total consideration received during the year ended 31st March, 2004 from employees for taking up options granted amounted to HK\$37.

At 31st March, 2005, the total number of shares available for issue under the Company's share option scheme is 36,730,800, representing 9.5% of the issued capital of the Company.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

25. RESERVES

	Share premium account	Contributed surplus	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY				
Balance at 1st April, 2003	129,660	153,400	10,257	293,317
Dividend paid	–	–	(22,537)	(22,537)
Issue of shares	792	–	–	792
Net profit for the year	–	–	20,664	20,664
Balance at 31st March, 2004	130,452	153,400	8,384	292,236
Net profit for the year	–	–	494	494
Balance at 31st March, 2005	130,452	153,400	8,878	292,730

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 in 2001.

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, 2005

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:

	2005	2004
	HK\$'000	HK\$'000
Contributed surplus	153,400	153,400
Accumulated profits	8,878	8,384
	162,278	161,784

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

26. DISPOSAL OF A SUBSIDIARY

On 27th October, 2004, the Group disposed of its entire equity interest in, and shareholder's loan with, Sweetime. Sweetime has a 70% direct interest in South Season Industrial Company Limited ("South Season"). Details of which are set out in the circular to the shareholders of the Company dated 19th November, 2004.

	2005	2004
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	842	-
Deferred tax assets	471	-
Goodwill	10,642	-
Textile quota entitlements	1,667	-
Trade and other receivables	12,074	-
Bank balances and cash	374	-
Trade and other payables	(17,839)	-
Taxation	(1,934)	-
Minority interests	(497)	-
	<hr/>	<hr/>
Total consideration	5,800	-
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	5,800	-
	<hr/> <hr/>	<hr/> <hr/>
Net cash inflow arising from disposal:		
Cash consideration	5,800	-
Bank balances and cash disposed of	(374)	-
	<hr/>	<hr/>
	5,426	-
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary disposed of during the year contributed HK\$69,565,000 to the Group's turnover and HK\$1,261,000 to the Group's profit from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

27. ACQUISITION OF A SUBSIDIARY

During the year ended 31st March, 2004, the Group acquired the 70% equity interests in South Season for a cash consideration of HK\$24,500,000. This acquisition has been accounted for by the acquisition method of accounting.

	2005	2004
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	-	1,272
Textile quota entitlements	-	18,753
Trade and other receivables	-	1,399
Bank balances and cash	-	6,309
Trade and other payables	-	(11,880)
Taxation	-	(1,610)
Minority interests	-	(4,273)
	<u>-</u>	<u>-</u>
Goodwill	-	9,970
	<u>-</u>	<u>14,764</u>
Total consideration	<u>-</u>	<u>24,734</u>
Satisfied by:		
Cash	-	24,500
Related expenses paid on acquisition	-	234
	<u>-</u>	<u>24,734</u>
Net cash outflow arising on acquisition:		
Cash consideration paid	-	24,734
Bank balances and cash	-	(6,309)
	<u>-</u>	<u>-</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>-</u>	<u>18,425</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

27. ACQUISITION OF A SUBSIDIARY (continued)

The subsidiary acquired during the year ended 31st March, 2004 contributed HK\$125,928,000 to the Group's turnover and a loss of HK\$1,852,000 to the Group's profit from operations for that year.

28. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK\$7,000,000 (2004: Nil).

29. CONTINGENT LIABILITIES

At 31st March, 2005, the Group had bills discounted with recourse of approximately HK\$4,281,000 (2004: Nil).

The Company has given corporate guarantees to banks to secure general credit facilities granted to certain of its subsidiaries at 31st March, 2005 and 2004. The extent of such facilities utilised by the subsidiaries at 31st March, 2005 amounted to approximately HK\$15,932,000 (2004: HK\$22,140,000).

30. PLEDGE OF ASSETS

At 31st March, 2005, certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK\$2,371,000 (2004: HK\$2,433,000), investments in securities of approximately HK\$7,800,000 (2004: nil), and bank deposits of approximately HK\$4,000,000 (2004: HK\$3,688,000) were pledged to banks as security for general banking facilities granted to the Group.

In addition to the above, at 31st March, 2004, value added tax recoverable of approximately HK\$15,604,000 were pledged as security for the above banking facilities.

At 31st March, 2004 and 2005, the Company had not pledged any of its assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

31. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditures in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	661	3,709
Capital expenditures in respect of property, plant and equipment authorised but not contracted for	10,763	-

At 31st March, 2004 and 2005, the Company had no significant capital commitment.

32. OPERATING LEASE COMMITMENTS

The Group made minimum lease payments of approximately HK\$2,143,000 (2004: HK\$2,110,000) 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:

	2005	2004
	HK\$'000	HK\$'000
Within one year	2,623	2,566
In the second to fifth year inclusive	2,623	3,257
Over five years	2,582	2,731
	7,828	8,554

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

32. OPERATING LEASE COMMITMENTS (continued)

Operating lease payments represent rental payable by the Group for certain of its office and factory premises. 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 are negotiated for an average term of 1 to 2 years with fixed rentals.

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

33. RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes a fixed percentage of relevant payroll costs to the scheme, which contribution is matched by employees.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

34. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March, 2005 were as follows:

Name of subsidiary (Note 4)	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
Dongguan Winscope Garment Manufacturing Co., Ltd. ("DG Winscope")	PRC	RMB15,000,000 (Note 3)	100%	Manufacturing of garment products
Gold Sleeve Limited	British Virgin Islands/ Hong Kong	US\$50,000	67%	Sale of garment
Kwong Hing Knitting Fabric Trading Co. Limited	Hong Kong	HK\$1,000,000	100%	Manufacture and sale of knitted fabric and dyed yarns
Kwong Tai Dyeing Co. Limited	Hong Kong	HK\$3,000,000	100%	Inactive
Nanhai Hengxing Dyeing Co., Ltd. ("Hengxing") (Note 2)	PRC	HK\$139,764,700 (Note 2)	100%	Provision of dyeing, bleaching, setting and finishing services
Real Connection Limited	British Virgin Islands	US\$50,000	100%	Inactive
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
Point Harvest Limited	Hong Kong	HK\$2	100%	Trading of garment
Sinoplex Limited ("Sinoplex")	British Virgin Islands	US\$75	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

34. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary (Note 4)	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
Unite Might Investment Limited	Hong Kong	HK\$500,000	100%	Provision of administration services
Sano Macao Commercial Offshore Company Limited	Macau	MOP1,000,000	100%	Trading of knitted fabric and dyed yarns and garment
Sano Trading Ltd.	British Virgin Islands	US\$100	100%	Investment holding
Wincast Ltd.	British Virgin Islands	US\$1	100%	Investment holding
Winscope Limited	British Virgin Islands	US\$50,000	100%	Investment holding
KHI Trading Limited	USA	US\$1,000	100%	Trading of knitted fabric and dyed yarns and garment

Notes:

1. The Company directly held the interests in Sinoplex. All the interests shown above are indirectly held.
2. The capital contributed by the Group which has been verified amounted to approximately HK\$116,775,000.
3. The capital contributed by the Group which has been verified amounted to approximately HK\$2,400,000.
4. Other than Hengxing and DG Winscope, which are wholly foreign owned enterprises in the PRC, all other companies are limited liability companies incorporated in the respective jurisdiction.

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,				
	2001	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	371,177	336,032	353,326	540,167	528,537
(LOSS) PROFIT BEFORE TAXATION	(16,485)	(21,744)	23,179	35,158	3,554
INCOME TAX EXPENSES	402	1,441	(999)	(1,621)	(551)
(LOSS) PROFIT AFTER TAXATION	(16,083)	(20,303)	22,180	33,537	3,003
MINORITY INTERESTS	-	-	-	92	(1,703)
NET (LOSS) PROFIT FOR THE YEAR	(16,083)	(20,303)	22,180	33,629	1,300

ASSETS AND LIABILITIES

	As at 31st March,				
	2001	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	352,368	422,836	455,952	500,237	473,107
TOTAL LIABILITIES	(61,162)	(60,578)	(76,154)	(104,931)	(79,595)
MINORITY INTERESTS	-	-	-	(3,431)	(337)
SHAREHOLDERS' FUNDS	291,206	362,258	379,798	391,875	393,175