THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Victory City International Holdings Limited (the "Company"), you should at once hand this Prospectus and the accompanying provisional allotment letter and the form of application for excess rights shares to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Capitalised terms used in this Prospectus shall have the same meanings as defined in the section headed "Definitions" in this Prospectus.

A copy of each of the Rights Issue Documents, together with copies of the documents referred to in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance and a copy of each of the Rights Issue Documents has been filed with the Registrar of Companies in Bermuda pursuant to section 26 of the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of these documents.

Dealings in the securities of the Company and the Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS and you should consult a licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 539)

PROPOSED RIGHTS ISSUE OF NOT LESS THAN 341,831,666 RIGHTS SHARES AND NOT MORE THAN 342,831,666 RIGHTS SHARES OF HK$0.01 EACH AT HK$0.439 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING SHARES HELD ON THE RECORD DATE)

Financial adviser and Underwriter to the Rights Issue

CIMB

CIMB-GK Securities (HK) Limited

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. 9 January 2009. The procedures for acceptance and payment or transfer are set out on pages 21 to 23 of this Prospectus.

It should be noted that:

(A) the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement if prior to the Latest Time for Termination, any of the following happens:

(1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) this Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

(B) In addition to the above termination clause, the Underwriter and the Company further agree that the Underwriter shall be entitled by a notice in writing to the Company, served not later than 48 hours prior to the Latest Acceptance Time, to terminate the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination pursuant to Section A as described above, or 48 hours prior to the Latest Acceptance Time pursuant to Section B as described above, (as the case may be), or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

The Shares were dealt in on an ex-rights basis since 17 December 2008 and that the Rights Shares are expected to be dealt in their nil-paid form from 29 December 2008 to 6 January 2009 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any person dealing in the securities of the Company from now up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where appropriate) and any person dealing in the nil-paid Rights Shares from 29 December 2008 to 6 January 2009 (being the first day and last day of dealings in the nil-paid Rights Shares, respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his/her/its/their position is recommended to consult his/her/its/their own professional adviser.

It is expected that the conditions referred to in the paragraph headed "Conditions of the Rights Issue" under the section headed "Letter from the Board" in this Prospectus are to be fulfilled by 4:00 p.m. Hong Kong time on 13 January 2009. If the conditions referred to in that section are not fulfilled and/or waived (where appropriate) by the Underwriter on or before 4:00 p.m. Hong Kong time on 13 January 2009 (or such later time and/or date as the Company and the Underwriter may determine in writing) or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

23 December 2008

* *for identification purpose only*

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled and/or waived (where appropriate). The expected timetable will be subject to change, and any change will be announced in a separate announcement by the Company as soon as practicable. All times and dates in this Prospectus refer to Hong Kong local times and dates.

	Hong Kong time
First day of dealings in nil-paid Rights Shares	29 December 2008
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on 31 December 2008
Last day of dealings in nil-paid Rights Shares	6 January 2009
Latest time for acceptance of and payment for Rights Shares	4:00 p.m. on 9 January 2009
Latest time for the Rights Issue to become unconditional	4:00 p.m. on 13 January 2009
Announcement of results of acceptance of and excess applications for the Rights Issue	13 January 2009
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	16 January 2009
Despatch of certificates for fully-paid Rights Shares on or before	16 January 2009
Commencement of dealings in fully-paid Rights Shares	20 January 2009
First day of the provision of matching service for odd-lot holdings of Shares	20 January 2009
Last day of the provision of matching service for odd-lot holdings of Shares	19 February 2009

Note:

EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE TIME AND PAYMENT FOR THE RIGHTS SHARES

The Latest Acceptance Time and payment for the Rights Shares will not take place if there is:

(i) a tropical cyclone warning signal number 8 or above; or

(ii) a "black" rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on such day. Instead, the Latest Acceptance Time and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If the Latest Acceptance Time and payment for the Rights Shares does not take place on the expected latest date for acceptance of the offer of the Rights Shares, the dates subsequent to the said latest expected date mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions have the following meanings:

"Announcement"	the announcements of the Company dated 3 December 2008 and 12 December 2008 in relation to, among other things, the proposed Rights Issue
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CIMB-GK" or "Underwriter"	CIMB-GK Securities (HK) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO; being the underwriter of the Underwriting Agreement
"Committed Shareholders"	each of Pearl Garden Pacific Limited, Madian Star Limited, Mr Li Ming Hung and Mr Chen Tien Tui who was beneficially interested in 111,252,000 Shares, 111,252,000 Shares, 9,160,000 Shares and 10,274,000 Shares respectively, as at the Latest Practicable Date
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Victory City International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"EAF(s)"	the form(s) of application for excess Rights Shares
"Excluded Shareholders"	the Overseas Shareholders whom the Board, after making enquiries, considers it necessary or expedient not to offer the Rights Shares to on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

"Group"	the Company and its subsidiaries from time to time
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Irrevocable Undertakings"	the irrevocable undertaking(s) dated 2 December 2008 given by each of the Committed Shareholders in favour of the Company and the Underwriter
"Last Trading Date"	2 December 2008, being the last trading day of the Shares immediately before the suspension of trading of the Shares prior to the release of the announcement dated 3 December 2008
"Latest Acceptance Time"	4:00 p.m. on 9 January 2009 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares
"Latest Practicable Date"	18 December 2008, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus
"Latest Time for Termination"	4:00 p.m. on the second Business Day after the Latest Acceptance Time, being the latest time by which the Underwriter may terminate the Underwriting Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Option Holders"	holders of the options granted by the Company pursuant to the Share Option Scheme
"Option Holders Irrevocable Undertakings"	the irrevocable undertaking(s) to be given by Option Holders in favor of the Company and the Underwriter not to exercise any of the subscription rights attaching to the Outstanding Options on or before the Record Date
"Outstanding Options"	the options granted by the Company to subscribe for an aggregate of 129,500,000 Shares pursuant to the Share Option Scheme, which were outstanding as at the Latest Practicable Date
"Overseas Shareholder(s)"	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong

"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Rights Issue
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholders
"Record Date"	22 December 2008 or such other date as may be agreed between the Company and the Underwriter
"Rights Issue"	the proposed issue of Rights Shares by the Company on the basis of one Rights Share for every two existing Shares to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the issue
"Rights Issue Documents"	the Prospectus, the PAL and the EAF
"Rights Share(s)"	not less than 341,831,666 new Shares and not more than 342,831,666 new Shares to be issued by the Company pursuant to the Rights Issue
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary shares with par value of HK$0.01 each in the capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 30 November 2001
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.439 per Rights Share
"Underwriting Agreement"	the underwriting agreement dated 2 December 2008 entered into between the Company and the Underwriter in relation to the Rights Issue

"Underwritten Shares"	not less than 220,862,666 Rights Shares and not more than 221,862,666 Rights Shares, pursuant to the Underwriting Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Number of Rights Shares to be issued (assuming no Outstanding Options are exercised on or before the Record Date):	341,831,666 Rights Shares
Maximum number of Rights Shares:	342,831,666 Rights Shares (assuming not more than 2,000,000 Shares attaching to the Outstanding Options are exercised on or before the Record Date)
Subscription Price:	HK$0.439 per Rights Share, payable in full upon acceptance
Basis of entitlement:	Rights Shares will be allotted in the proportion of one Rights Share for every two existing Shares held by the Qualifying Shareholders on the Record Date. No Rights Shares will be offered to the Excluded Shareholders
Right of excess application:	Qualifying Shareholders will have the right to apply for excess Rights Shares
Amount to be raised by the Rights Issue:	Approximately HK$150.1 million (assuming no Outstanding Options are exercised on or before the Record Date) to approximately HK$150.5 million (assuming not more than 2,000,000 Shares attaching to the Outstanding Options are exercised on or before the Record Date) before expenses and approximately HK$147 million (assuming no Outstanding Options are exercised on or before the Record Date) after expenses

(A) The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement if prior to the Latest Time for Termination, any of the following happens:

(1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) this Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

(B) In addition to the above termination clause, the Underwriter and the Company further agree that the Underwriter shall be entitled by a notice in writing to the Company, served not later than 48 hours prior to the Latest Acceptance Time, to terminate the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination pursuant to Section A as described above or 48 hours prior to the Latest Acceptance Time pursuant to Section B as described above, (as the case may be), or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

The Shares had been dealt in on an ex-rights basis since 17 December 2008 and that the Rights Shares are expected to be dealt in their nil-paid form from 29 December 2008 to 6 January 2009 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any person dealing in the securities of the Company from now up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where appropriate) and any person dealing in the nil-paid Rights Shares from 29 December 2008 to 6 January 2009 (being the first day and last day of dealings in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his/her/its/their position is recommended to consult his/her/its/their own professional adviser.

It is expected that the conditions referred to in the paragraph headed "Conditions of the Rights Issue" under the section headed "Letter from the Board" in this Prospectus are to be fulfilled by 4:00 p.m. Hong Kong time on 13 January 2009. If the conditions referred to in that section are not fulfilled and/or waived (where appropriate) by the Underwriter on or before 4:00 p.m. Hong Kong time on 13 January 2009 (or such later time and/or date as the Company and the Underwriter may determine in writing) or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 539)

Executive Directors:
Li Ming Hung *(Chairman)*
Chen Tien Tui *(Chief Executive Officer)*
So Kam Wah
Lee Yuen Chiu, Andy
Choi Lin Hung

Independent non-executive Directors:
Kan Ka Hon
Phaisalakani Vichai
Kwok Sze Chi

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit D, 3rd Floor
3 Kin Kwan Street
Tuen Mun
Hong Kong

23 December 2008

To the Qualifying Shareholders and,
for information only, the Excluded Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE OF NOT LESS THAN 341,831,666 RIGHTS SHARES AND NOT MORE THAN 342,831,666 RIGHTS SHARES OF HK$0.01 EACH AT HK$0.439 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING SHARES HELD ON THE RECORD DATE)

INTRODUCTION

On 3 December 2008, the Board announced that the Company proposed to raise not less than HK$150.1 million before expenses by issuing not less than 341,831,666 Rights Shares (assuming no Outstanding Options are exercised on or before the Record Date) and not more than approximately HK$150.5 million before expenses by issuing not more than 342,831,666 Rights Shares (assuming not more than 2,000,000 Outstanding Options are exercised on or before the Record Date) at the Subscription Price of HK$0.439 per Rights Share on the basis of 1 Rights Share for every 2 existing Shares in issue on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company.

* *for identification purpose only*

The Rights Shares will be fully underwritten by the Underwriter, based on the terms and conditions set out in the Underwriting Agreement. Details of the major terms and conditions of the Underwriting Agreement are set out in the paragraph headed "Underwriting Agreement" below.

As at the Latest Practicable Date, the Committed Shareholders were beneficially interested in a total of 241,938,000 Shares, of which Pearl Garden Pacific Limited, Madian Star Limited, Mr Li Ming Hung and Mr Chen Tien Tui were beneficially interested in 111,252,000 Shares, 111,252,000 Shares, 9,160,000 Shares and 10,274,000 Shares respectively. The aggregated interest of the Committed Shareholders in the Company represented approximately 35.39% of the existing issued share capital of the Company.

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed "Conditions of the Rights Issue" below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph headed "Termination of the Underwriting Agreement" below). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled and/or waived (where appropriate), the Rights Issue will not proceed.

The purpose of this Prospectus is to give you further information on, among other things, the Rights Issue, including information on dealings in, transfer and acceptance of the Rights Shares and certain financial and other information in respect of the Group.

THE RIGHTS ISSUE

Basis of the Rights Issue:	one Rights Share for every two existing Shares held on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date:	683,663,333 Shares
Number of Rights Shares: (assuming no Outstanding Options are exercised on or before the Record Date)	341,831,666 Rights Shares
Outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date	Outstanding Options attaching subscription rights to subscribe for 129,500,000 Shares
Maximum number of Rights Shares:	342,831,666 Rights Shares (assuming not more than 2,000,000 Shares attaching to the Outstanding Options are exercised on or before the Record Date)

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represented approximately 50.00% of the Company's existing issued share capital as at the Latest Practicable Date and approximately 33.33% of the enlarged issued share capital of the Company immediately following the completion of the Rights Issue assuming that not more than 2,000,000 Outstanding Options are exercised on or before the completion of the Rights Issue.

Pursuant to the Underwriting Agreement, the Company will use its best endeavours to procure Option Holders to execute the Option Holders Irrevocable Undertakings pursuant to which the Option Holders will undertake to the Company and the Underwriter not to exercise any of the subscription rights attaching to the Outstanding Options on or before the Record Date.

As at the Latest Practicable Date, no Outstanding Options had been exercised by Option Holders.

As at the Latest Practicable Date, other than the Outstanding Options, the Company had no derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into Shares.

The Rights Shares

The Subscription Price for the Rights Shares is HK$0.439 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price of HK$0.439 per Rights Share represents:

- a discount of approximately 53.79% to the closing price of HK$0.95 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 52.07% to the average closing price of HK$0.916 per Share for the five consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 52.18% to the average closing price of HK$0.918 per Share for the ten consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 43.72% to the theoretical ex-rights price of approximately HK$0.78 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 12.20% to the closing price of HK$0.50 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 87.42% over the audited consolidated net tangible asset value per Share of approximately HK$3.49 (calculated by using the latest published audited net tangible asset value of the Group attributable to the equity holders of the Company as at 31 March 2008 and dividing this sum total by the 683,663,333 Shares in issue as at the Latest Practicable Date).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the recent global economic environment, volatility of the stock market and the prevailing Share prices. In order to enhance the attractiveness of the Rights Issue, issuance of new shares by way of rights issue at a discount to the market price has been commonly adopted by listed issuers in Hong Kong. Given the relatively long underwriting period of a rights issue and taking into account the aforesaid and the theoretical ex-rights price per Share, the Directors consider that, in order to enhance the attractiveness of the Rights Issue, the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" below), any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them; and

(3) in accordance with any further requirements of the Stock Exchange.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company have been advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 16 January 2009 by ordinary post to the relevant unsuccessful applicants therefore at their own risk.

The latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares is expected to be at 4:00 p.m. on 9 January 2009, or such later date as may be agreed between the Company and the Underwriter.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares on or before 16 January 2009 at their own risk.

Adjustment to Outstanding Options

As at the Latest Practicable Date, there were 129,500,000 Outstanding Options entitling the holders thereof to subscribe for up to 129,500,000 Shares. Pursuant to the provisions of the Share Option Scheme, if the Rights Issue becomes unconditional, the Rights Issue will constitute an event giving rise to an adjustment to both the exercise price of the Outstanding Options and the number of Shares issuable upon exercise of the Outstanding Options. Details of the exercise prices, and the number of Shares issuable upon exercise in full, of the Outstanding Options and the adjustments are set out in Appendix III to this Prospectus. The Directors confirmed that such adjustments are fair and reasonable and satisfied the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all listed issuers relating to share option adjustments. The Company's auditors also confirmed to the Directors that such adjustments are in compliance with the provisions of the Share Option Scheme.

Application for listing of the Rights Shares on the Stock Exchange

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

None of the securities of the Company are listed or dealt in any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought. Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (Shares are currently traded in board lots of 2,000). Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Odd lots of Rights Shares may arise as a result of the acceptance of the Rights Issue. In order to alleviate the difficulties in trading odd lots of Rights Shares, the Company has appointed CIMB-GK to act as the agent to match, on a "best effort" basis, the sale and purchase of odd lots of Rights Shares arising from the Rights Issue for a one-month period from the commencement date of dealings of the fully-paid Rights Shares. Such arrangement is to facilitate Shareholders who wish to dispose of or top up their odd lots of Rights Shares. Shareholders who wish to take advantage of this facility should contact Mr. Boby Ho of CIMB-GK at 25/F Central Tower, 28 Queen's Road Central, Hong Kong (Tel: 2532 1131) during the aforesaid period. Shareholders should note that the matching of the sale and purchase of odd lots of Rights Shares is not guaranteed.

The dealings in the Rights Shares in their fully-paid form is expected to commence on 20 January 2009.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares in their nil-paid form otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

Qualifying Shareholders

The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company on or before the Record Date. In order to qualify for the Rights Issue, a holder of Outstanding Options must (i) exercise its subscription rights in accordance with the relevant procedures specified in the rules of the Share Option Scheme on or before the Record Date; (ii) be registered as a holder of the Shares allotted pursuant to the exercise of the subscription rights of the Outstanding Options on or before the Record Date; and (iii) not be an Excluded Shareholder.

The Company's share registrar in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The Company's register of members was closed from 19 December 2008 to 22 December 2008, both days inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares was registered during the period.

Excluded Shareholders

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Directors will make enquiries, to be based on legal opinions provided by legal advisers if the Directors consider it necessary, as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Under such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

The Company will only send the Prospectus to the Excluded Shareholders for their information.

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK$100 or less for its own benefit.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

(1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

(2) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and the filing of all documents relating to the Rights Issue, which are required to be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda;

(3) the posting of the Rights Issue Documents to Qualifying Shareholders;

(4) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;

(5) compliance with and performance by each of Pearl Garden Pacific Limited, Madian Star Limited, Mr. Li Ming Hung and Mr. Chen Tien Tui of all of its or his obligations and undertakings under their respective Irrevocable Undertakings; and

(6) compliance with and performance by each of the Option Holders of all the obligations and undertakings under their respective Option Holders Irrevocable Undertakings or that there being not more than 2,000,000 additional Shares, on an aggregate basis for all Option Holders issued pursuant to the exercise of the Outstanding Options on or before the Record Date.

None of the Company and the Underwriter may waive conditions (1), (2), (3), (5) and (6) set out above. The Underwriter may waive condition (4) set out above in whole or in part by written notice to the Company. If any of the conditions of the Rights Issue are not fulfilled or (in respect of condition (4), waived in whole or in part by the Underwriter) on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

(a) Irrevocable Undertakings

As at the Latest Practicable Date, the Committed Shareholders, were interested in aggregate of 241,938,000 Shares, representing approximately 35.39% of the existing issued share capital of the Company.

Each of the Committed Shareholders has irrevocably undertaken to the Company and the Underwriter, among other matters, that: (i) their Shares will remain registered in the same names or be registered in the names of their nominees until the close of business on the Record Date and will continue to have registered addresses in Hong Kong; (ii) they will subscribe or procure the subscription in full for their entitlement under the Rights Issue pursuant to the terms of the Rights Issue and lodge with the Company acceptance in respect of all the Rights Shares provisionally allotted to them or their nominee(s), with payment in full; and (iii) they will not and will procure that companies controlled by them will not, during the period from immediately after the execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, dispose of or transfer the beneficial interests in any of the Shares beneficially owned by them.

Those Committed Shareholders who are also Option Holders have irrevocably undertaken to the Company and the Underwriter not to exercise any of the subscription rights attaching to the 3,000,000 Outstanding Options held by them on or before the Record Date. Pursuant to the Rights Issue, the Committed Shareholders will be entitled to a maximum of 120,969,000 Rights Shares.

(b) Underwriting Agreement dated 2 December 2008

Issuer:	The Company
Underwriter:	CIMB-GK
Number of Underwritten Shares:	Not less than 220,862,666 Rights Shares (assuming no Outstanding Options will be exercised on or before the Record Date), being the total number of Rights Shares under the Rights Issue excluding 120,969,000 Rights Shares undertaken to be subscribed by the Committed Shareholders pursuant to their Irrevocable Undertakings Not more than 221,862,666 Rights Shares (assuming the subscription rights attaching to not more than 2,000,000 Outstanding Options are exercised on or before the Record Date), being the maximum number of Rights Shares under the Rights Issue excluding 120,969,000 Rights Shares undertaken to be subscribed by the Committed Shareholders pursuant to their Irrevocable Undertakings

Commission: 2% of the aggregate Subscription Price of the Underwritten Shares

The Directors are of the view that the terms of the Underwriting Agreement are on normal commercial terms.

Termination of the Underwriting Agreement

(A) The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement if prior to the Latest Time for Termination, any of the following happens:

(1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) this Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

(B) In addition to the above termination clause, the Underwriter and the Company further agree that the Underwriter shall be entitled by a notice in writing to the Company, served not later than 48 hours prior to the Latest Acceptance Time, to terminate the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination pursuant to Section A as described above or 48 hours prior to the Latest Acceptance Time pursuant to Section B as described above (as the case may be), or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares had been dealt in on an ex-rights basis from 17 December 2008. Dealings in the Rights Shares in the nil-paid form will take place from 29 December 2008 to 6 January 2009 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived (where appropriate) on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this Prospectus up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 29 December 2008 to 6 January 2009 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue and assuming no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 220,862,666 Rights Shares are allocated to the Underwriter; and (iii) immediately after completion of the Rights Issue, assuming the subscription rights attaching to not more than 2,000,000 Outstanding Options are exercised on or before the Record Date and no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 221,862,666 Rights Shares are allocated to the Underwriter:

Name of Shareholder/ Directors and substantial Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue and assuming no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 220,862,666 Rights Shares are allocated to the Underwriter		Immediately after completion of the Rights Issue, assuming the subscription rights attaching to not more than 2,000,000 Outstanding Options are exercised on or before the Record Date and no Shareholders (other than the Committed Shareholders) have taken up rights entitlements and the maximum 221,862,666 Rights Shares are allocated to the Underwriter	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
– Committed Shareholders						
– Pearl Garden Pacific Limited	111,252,000	16.27	166,878,000	16.27	166,878,000	16.23
– Madian Star Limited	111,252,000	16.27	166,878,000	16.27	166,878,000	16.23
– Mr Li Ming Hung	9,160,000	1.34	13,740,000	1.34	13,740,000	1.34
– Mr Chen Tien Tui	10,274,000	1.50	15,411,000	1.50	15,411,000	1.50
– Mr. Choi Lin Hung	3,320,000	0.49	3,320,000	0.32	3,320,000	0.32
– Mr. Phaisalakani Vichai	240,000	0.04	240,000	0.02	240,000	0.02
– Templeton Asset Management Ltd.[(1)]	88,212,381	12.90	–	–	–	–
Public						
– Templeton Asset Management Ltd.[(1)]	–	–	88,212,381	8.60	88,212,381	8.57
– Sansar Capital Management LLC	65,169,000	9.53	65,169,000	6.36	65,169,000	6.34
– Morgan Stanley & Co. International plc.	44,042,000	6.44	44,042,000	4.29	44,042,000	4.28
– Others	240,741,952	35.22	240,741,952	23.49	242,741,952	23.60
– Underwriter [(2)]	–	–	220,862,666	21.54	221,862,666	21.57
Sub-total of Public	349,952,952	51.19	659,027,999	64.28	662,027,999	64.36
Total	**683,663,333**	**100.00**	**1,025,494,999**	**100.00**	**1,028,494,999**	**100.00**

Notes:

(1) Immediately after the above two scenarios of completion of the Rights Issue, Templeton Asset Management Ltd. will hold less than 10% of the issued share capital of the Company and therefore be regarded as public.

(2) As at the Latest Practicable Date, the Underwriter had entered into sub-underwriting agreements such that each of the Underwriter and sub-underwriters would not hold 10% or more of the issued share capital of the Company upon the completion of the Rights Issue. The Underwriter has confirmed to the Company that the sub-underwriters are third parties independent of the Company and connected persons of the Company.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The net proceeds from the Rights Issue after deducting for expenses are estimated to be approximately HK$147 million (assuming no Outstanding Options are exercised on or before the Record Date). The Company intends to retain this amount as general working capital of the Group. The Rights Issue will enlarge the capital base of the Company and the Directors consider that it will facilitate the long-term development of the Company. Taking into account the fact that the net proceeds from the Rights Issue would improve the Group's gearing position and enhance the Company's capital base, the Directors are of the view that the Rights Issue is in the interests of the Group and the Shareholders as a whole.

Save for the Rights Issue, the Company had not conducted other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

The Underwriter has no intention to make any changes to the Group's existing principal businesses, the deployment of the Company's fixed assets and the continued employment of the employees of the Group.

EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE TIME AND PAYMENT FOR THE RIGHTS SHARES

If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on the date of latest acceptance and payment for the Rights Shares at any local time between 12:00 noon and 4:00 p.m., the Latest Acceptance Time will be postponed to 4:00 p.m. on the following Business Day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. Accordingly, the dates subsequent to the expected date of the date of latest acceptance mentioned in the section headed "Expected timetable for the Rights Issue" in this Prospectus may be affected. An announcement will be made by the Company in such event as soon as practicable.

PROCEDURES FOR ACCEPTANCE AND PAYMENT OR TRANSFER

For each Qualifying Shareholder, a provisional allotment letter is enclosed with this Prospectus which entitles you to subscribe for the number of the Rights Shares shown therein. **If you wish to exercise your right to subscribe for all the Rights Shares provisionally allotted to you as specified in the provisional allotment letter, you must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's share registrar in Hong Kong, Tricor Secretaries Limited ("Registrar") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on 9 January 2009. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "VICTORY CITY INTERNATIONAL HOLDINGS LIMITED – Provisional Allotment Account" and crossed "ACCOUNT PAYEE ONLY".**

It should be noted that unless the duly completed provisional allotment letter, together with the appropriate remittance, has been lodged with the Registrar, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on 9 January 2009, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application by the Qualifying Shareholders through the form of application for excess Rights Shares.

If you wish to accept only part of your provisional allotment or transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you or to transfer your rights to more than one person, the entire provisional allotment letter must be surrendered and lodge for cancellation by no later than 4:00 p.m. on 31 December 2008, to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, which will cancel the entire original provisional allotment letter and issue new provisional allotment letters in the denominations required. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The provisional allotment letter contains full information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of your provisional allotment. All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any provisional allotment letter in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of this Prospectus or the provisional allotment letter for the Rights Shares in any territory other than Hong Kong. Subject to the paragraph headed "Excluded Shareholders" above, no person receiving a provisional allotment letter for the Rights Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself/themselves as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If the Underwriter exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, the Rights Issue will not proceed and the monies received in respect of acceptances of the Rights Shares will be returned without interest to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred, by means of cheques crossed "ACCOUNT PAYEE ONLY" to be despatched by ordinary post to their registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members of the Company or the transfer form at their own risk as soon as practicable thereafter.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" above), any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

If you as a Qualifying Shareholder wish to apply for any Rights Shares in addition to your provisional allotment indicated on the PAL enclosed with this Prospectus, you must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on 9 January 2009. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on account with, or cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "VICTORY CITY INTERNATIONAL HOLDINGS LIMITED – Excess Application Account" and crossed "ACCOUNT PAYEE ONLY".

The Qualifying Shareholder(s) will be notified of any allotment of excess Rights Shares made to him/her/it/them on or about 13 January 2009 from the announcement of the result of the Rights Issue.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any EAF in respect of which the accompanying cheque or cashier's order is dishonored on first presentation is liable to be rejected and cancelled. If no excess Rights Shares are allotted to the Qualifying

Shareholders, it is expected that a cheque for the full amount tendered on application for the excess Rights Shares without interest will be posted to the Qualifying Shareholder's address as shown on the register of member of the Company by ordinary post at his/her/its/their own risk on or before 16 January 2009.

If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to the Qualifying Shareholder's address as shown on the register of members of the Company by ordinary post at his/her/its/their own risk on or before 16 January 2009.

No action has been taken to permit the offering of the Rights Shares or the distribution of this Prospectus or the EAF in any territory outside Hong Kong and therefore the EAF may not be used by the Excluded Shareholders. Subject to the paragraph headed "Excluded Shareholders" above, no person receiving a copy of the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for excess Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy himself/herself/itself/themselves as to the observance of the laws and regulations of the relevant territory, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for excess Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If the Underwriter exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, the Rights Issue will not proceed and the monies received in respect of applications for excess Rights Shares without interest will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person, by means of cheques crossed "ACCOUNT PAYEE ONLY" to be despatched by ordinary post to their registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members of the Company at their own risk on or before 16 January 2009.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
Victory City International Holdings Limited
Li Ming Hung
Chairman

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results and financial position of the Group for each of the three years ended 31 March 2008, 2007 and 2006 as extracted from the annual reports of the Group for the respective years.

Operating results

	For the year ended 31 March 2006	For the year ended 31 March 2007	For the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*
Revenue	2,833,111	3,892,044	4,104,773
Cost of sales	(2,254,661)	(3,144,682)	(3,346,188)
Profit before tax	301,659	370,757	387,873
Income tax expense	(27,941)	(25,967)	(18,519)
Profit for the year	273,718	344,790	369,354
Attributable to:			
Equity holders of the Company	250,269	305,501	341,788
Minority interests	23,449	39,289	27,566
	273,718	344,790	369,354
Earning per share			
Basic	43.4 cents	47.1 cents	51.4 cents
Diluted	43.3 cents	46.8 cents	51.2 cents

Financial position

	As at 31 March 2006	As at 31 March 2007	As at 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*
Total assets	3,638,188	4,655,392	5,608,436
Total liabilities	(2,035,501)	(2,642,602)	(3,099,371)
Minority interests	55,525	90,378	117,426
Total equity	1,602,687	2,012,790	2,509,065

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the audited consolidated financial statements of the Group for the year ended 31 March 2008 together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2008.

Consolidated Income Statement
For the year ended 31 March 2008

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Revenue	*4 & 5*	4,104,773	3,892,044
Cost of sales		(3,346,188)	(3,144,682)
Gross profit		758,585	747,362
Other income		72,959	45,568
Selling and distribution costs		(96,656)	(116,937)
Administrative expenses		(281,533)	(241,239)
Share of loss of a jointly controlled entity		(338)	(1,002)
Finance costs	*6*	(65,144)	(62,995)
Profit before taxation		387,873	370,757
Income tax expense	*7*	(18,519)	(25,967)
Profit for the year	*8*	369,354	344,790
Attributable to:			
Equity holders of the Company		341,788	305,501
Minority shareholders		27,566	39,289
		369,354	344,790
Distributions	*9*	99,375	91,951
Earnings per share	*10*		
Basic		51.4 cents	47.1 cents
Diluted		51.2 cents	46.8 cents

Consolidated Balance Sheet
At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	11	2,283,968	1,880,762
Prepaid lease payments	12	21,283	23,979
Investment properties	13	2,470	233,080
Goodwill	14	6,185	6,185
Interest in a jointly controlled entity	15	–	338
Deposit paid for acquisition of property, plant and equipment		8,735	–
		2,322,641	2,144,344
Current assets			
Inventories	16	1,495,200	1,218,404
Trade receivables	17	906,442	957,011
Deposits, prepayments and other receivables		114,773	128,751
Prepaid lease payments	12	479	670
Structured deposit	18	39,399	–
Derivative financial instruments	24	33,972	1,649
Bank balances and cash	19	470,139	204,563
		3,060,404	2,511,048
Asset classified as held for sale	20	225,391	–
		3,285,795	2,511,048
Current liabilities			
Trade payables	21	450,563	539,794
Other payables		91,882	101,687
Dividend payable		237	276
Taxation payable		55,251	54,023
Bank borrowings – amount due within one year	22	1,160,339	788,483
Structured borrowings – amount due within one year	23	17,168	18,832
Derivative financial instruments	24	12,190	25
		1,787,630	1,503,120

	Notes	2008 HK$'000	2007 HK$'000
Liabilities associated with asset classified as held for sale	20	69,082	–
		1,856,712	1,503,120
Net current assets		1,429,083	1,007,928
		3,751,724	3,152,272
Capital and reserves			
Share capital	25	6,758	6,609
Reserves		2,384,881	1,915,803
Equity attributable to equity holders of the Company		2,391,639	1,922,412
Minority interests		117,426	90,378
Total equity		2,509,065	2,012,790
Non-current liabilities			
Bank borrowings – amount due after one year	22	1,190,960	1,055,240
Structured borrowings – amount due after one year	23	51,503	75,328
Deferred taxation	28	196	8,914
		1,242,659	1,139,482
		3,751,724	3,152,272

Consolidated Statement of Changes in Equity

For The Year Ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital *HK$'000* *(Note 25)*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000* *(Note 26)*	Translation reserve *HK$'000*	Dividend reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
As 1 April 2006	6,436	675,836	–	76,229	93,531	38,616	656,514	1,547,162	55,525	1,602,687
Exchange difference arising from translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	110,149	–	–	110,149	–	110,149
Profit for the year	–	–	–	–	–	–	305,501	305,501	39,289	344,790
Total recognised income and expense for the year	–	–	–	–	110,149	–	305,501	415,650	39,289	454,939
Issue of shares under scrip dividend scheme for 2006 final and 2007 interim dividend	173	44,962	–	–	–	(45,135)	–	–	–	–
Interim dividend proposed	–	–	–	–	–	46,919	(46,919)	–	–	–
Final dividend proposed *(note 9)*	–	–	–	–	–	45,032	(45,032)	–	–	–
Dividends paid in cash	–	–	–	–	–	(40,400)	–	(40,400)	–	(40,400)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(9,065)	(9,065)
Capital contribution by a minority shareholder	–	–	–	–	–	–	–	–	4,629	4,629
At 31 March 2007	6,609	720,798	–	76,229	203,680	45,032	870,064	1,922,412	90,378	2,012,790
Exchange difference arising from translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	191,681	–	–	191,681	–	191,681
Profit for the year	–	–	–	–	–	–	341,788	341,788	27,566	369,354
Total recognised income and expense for the year	–	–	–	–	191,681	–	341,788	533,469	27,566	561,035
Exercise of share options	13	4,016	–	–	–	–	–	4,029	–	4,029
Share repurchased and cancelled	(36)	(9,162)	36	–	–	(46)	10	(9,198)	–	(9,198)
Issue of shares under scrip dividend scheme for 2007 final and 2008 interim dividend	172	39,158	–	–	–	(39,330)	–	–	–	–
Interim dividend proposed	–	–	–	–	–	53,417	(53,417)	–	–	–
Final dividend proposed *(note 9)*	–	–	–	–	–	45,958	(45,958)	–	–	–
Dividends paid in cash	–	–	–	–	–	(59,073)	–	(59,073)	–	(59,073)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(3,714)	(3,714)
Capital contribution by a minority shareholder	–	–	–	–	–	–	–	–	3,196	3,196
At 31 March 2008	6,758	754,810	36	76,229	395,361	45,958	1,112,487	2,391,639	117,426	2,509,065

Consolidated Cash Flow Statement

For The Year Ended 31 March 2008

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	387,873	370,757
Adjustments for:		
Depreciation of property, plant and equipment	166,953	145,111
Gain on disposal of property, plant and equipment	(1,901)	(523)
Gain on fair value changes of derivative financial instruments	(20,158)	(4,307)
(Gain) loss on fair value changes of structured borrowings	(8,329)	8,360
Gain on fair value changes of structured deposit	(399)	–
Interest income	(3,479)	(3,000)
Interest on bank borrowings	65,144	62,941
Interest on obligations under finance leases	–	54
Loss (gain) on fair value changes of investment properties	10,946	(17,868)
Impairment losses recognised on receivables	3,101	–
Release of prepaid lease payments	585	561
Share of loss of a jointly controlled entity	338	1,002
Operating cash flows before working capital changes	600,674	563,088
Increase in inventories	(243,476)	(317,025)
Decrease (increase) in trade receivables	67,220	(244,512)
Decrease in deposits, prepayments and other receivables	24,075	48,712
(Decrease) increase in trade payables	(104,777)	42,827
(Decrease) increase in other payables	(13,449)	29,059
Cash generated from operations	330,267	122,149
Interest paid on bank borrowings	(115,134)	(89,772)
Hong Kong Profits Tax paid	(19,446)	(2,104)
Overseas tax paid	(7,080)	(5,942)
Interest received	3,479	3,000
Interest paid on obligations under finance leases	–	(54)
NET CASH FROM OPERATING ACTIVITIES	192,086	27,277

	2008 *HK$'000*	2007 *HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(374,559)	(521,445)
Deposit paid for acquisition of property, plant and equipment	(8,735)	–
Deposits received from asset classified as held for sale	14,042	–
Proceeds from property, plant and equipment	2,040	10,279
Proceeds from disposals of prepaid lease payments	443	–
Purchase of investment properties	–	(122,342)
Increase in structured deposit	(39,000)	–
Investment in a jointly controlled entity	–	(1,340)
NET CASH USED IN INVESTING ACTIVITIES	(405,769)	(634,848)
FINANCING ACTIVITIES		
New bank loans raised	530,854	1,021,132
Net amount of import loans and trust receipts loans raised	97,626	121,778
Exercise of share options	4,029	–
Dividend paid to the Company's shareholders	(59,112)	(40,221)
Repayment of bank loans	(55,500)	(768,128)
Upfront payment of structured borrowings (repaid) received	(17,160)	85,800
Repayment of mortgage loans	(11,472)	(4,537)
Share repurchased and cancelled	(9,198)	–
Dividend paid to a minority shareholder	(3,714)	(9,065)
New mortgage loans raised	–	35,000
Repayment of obligations under finance leases	–	(2,618)
NET CASH FROM FINANCING ACTIVITIES	476,353	439,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	262,670	(168,430)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	204,563	370,762
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,906	2,231
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	470,139	204,563

Notes to the Consolidated Financial Statements

For The Year Ended 31 March 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section set out in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in the prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Other than the above, the adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, certain financial instruments and assets classified as held for sale which are measured at revalued amounts or fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Non-current Assets Held for Sale

Non-current assets are reclassified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as asset held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell except for investment properties classified as held for sale that are measured at fair values at the balance sheet date.

Goodwill

Goodwill Arising on Acquisitions Prior to 1 January 2005

Goodwill arising on acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquire at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 April 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit ("CGU") to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill Arising on Acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs, or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Jointly Controlled Entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entity.

The results and assets and liabilities of jointly controlled entity are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in a jointly controlled entity are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, from part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods is recognised when the goods are delivered and title has passed.

Service income and subcontracting income are recognised when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment losses. Cost includes all development expenditure and other direct costs, including borrowing costs capitalised in accordance with the Group's accounting policy, attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid Lease Payments

Prepaid lease payments represent up-front payments to acquire leasehold land interests are stated at cost and amortised over the period of the lease on a straight-line basis.

Operating Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as Lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for a property interest that is held under an operating lease that is accounted for as investment property measured at fair value.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowings Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement Benefit Costs

Payments to the Group's defined contribution retirement benefit plans, Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as expense when employees have rendered services entitling them to the contributions.

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 profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated 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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets include as financial assets at FVTPL and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the asset on initial recognition.

Income is recognised on an effective interest basis.

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss

The Group's financial assets classified as financial assets at FVTPL are derivatives and structured deposits that are not designated and effective as hedging instruments.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities and Equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as FVTPL or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the liability on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables, dividend payable and bank borrowings are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Upon repurchase of the Company's own shares, the issued share capital of the Company is diminished by the nominal value thereof. The premium payable on repurchase is charged against the Company's share premium account.

Scrip dividends are issued as an alternative to a cash dividend. The amount subscribed for the shares is equal to the cash value of the dividend. Any excess of the scrip amount over the nominal value of the shares is taken to the share premium account just as it is for any other issue of shares.

Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

Share-based Payment Transactions

Equity-settled Share-based Payment Transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve). At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Impairment Losses

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.

4. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided by the Group to outside customers, less returns and allowances. It is analysed as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	2,675,849	2,607,913
Production and sale of garment products and provision of quality inspection services	1,428,924	1,284,131
	4,104,773	3,892,044

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

For management purpose, the Group is currently organised into two operating divisions: (i) knitted fabric and dyed yarn; and (ii) garment products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Knitted fabric and dyed yarn – Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services

Garment products – Production and sale of garment products and provision of quality inspection services

Year ended 31 March 2008

	Knitted fabric and dyed yarn	**Garment products**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	2,675,849	1,428,924	4,104,773
RESULTS			
Segment results	361,589	63,795	425,384
Unallocated corporate income			50,773
Unallocated corporate expenses			(22,802)
Share of loss of a jointly controlled entity			(338)
Finance costs			(65,144)
Profit before taxation			387,873
Income tax expense			(18,519)
Profit for the year			369,354

BALANCE SHEET

At 31 March 2008

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	4,338,468	502,699	4,841,167
Unallocated corporate assets			767,269
Consolidated total assets			5,608,436
LIABILITIES			
Segment liabilities	402,395	139,941	542,336
Unallocated corporate liabilities			2,557,035
Consolidated total liabilities			3,099,371

OTHER INFORMATION

	Knitted fabric and dyed yarn *HK$'000*	Garment products *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	408,844	15,706	–	424,550
Depreciation	152,927	14,026	–	166,953
Gain on fair value changes of				
– structured borrowings	–	–	8,329	8,329
– outstanding derivative financial instruments	–	–	20,158	20,158
– structured deposit	–	–	399	399
Impairment losses recognised on receivables	3,101	–	–	3,101

Year ended 31 March 2007

	Knitted fabric and dyed yarn	Garment products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	2,607,913	1,284,131	3,892,044
RESULTS			
Segment results	332,095	93,848	425,943
Unallocated corporate income			29,015
Unallocated corporate expenses			(20,204)
Share of loss of a jointly controlled entity			(1,002)
Finance costs			(62,995)
Profit before taxation			370,757
Income tax expense			(25,967)
Profit for the year			344,790

BALANCE SHEET

At 31 March 2007

	Knitted fabric and dyed yarn	Garment products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	3,736,766	477,018	4,213,784
Interest in a jointly controlled entity	–	338	338
Unallocated corporate assets			441,270
Consolidated total assets			4,655,392
LIABILITIES			
Segment liabilities	458,698	180,468	639,166
Unallocated corporate liabilities			2,003,436
Consolidated total liabilities			2,642,602

OTHER INFORMATION

	Knitted fabric and dyed yarn	Garment products	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	649,203	24,813	–	674,016
Depreciation	133,503	11,608	–	145,111
Gain on fair value changes of outstanding derivative financial instruments	–	–	4,307	4,307
Loss on fair value changes of structured borrowings	–	–	8,360	8,360

Geographical Segments

The Group's operations are mainly located in Hong Kong, other regions of the People's Republic of China (the "PRC") and the United States of America (the "USA").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong	655,893	855,242
Other regions of the PRC	1,447,794	960,394
USA	1,057,539	1,029,354
Others	943,547	1,047,054
	4,104,773	3,892,044

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and investment properties	
	As at 31.3.2008	As at 31.3.2007	As at 31.3.2008	As at 31.3.2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	813,367	472,692	8,202	126,613
Other regions of the PRC	3,723,353	3,384,588	410,454	535,746
USA	144,182	170,871	636	–
Others	160,265	185,633	5,258	11,657
	4,841,167	4,213,784	424,550	674,016

6. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	112,309	87,789
– bank borrowings not wholly repayable within five years	2,825	1,983
– finance leases	–	54
Total borrowing costs	115,134	89,826
Less: amounts capitalised	(49,990)	(26,831)
	65,144	62,995

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5% (2007: 4%).

7. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
– current year	12,637	10,987
– (over) underprovision in respect of prior years	(1,246)	744
	11,391	11,731
Enterprise income tax in the PRC attributable to subsidiaries	14,411	14,200
Overseas income tax	327	273
	26,129	26,204
Deferred tax *(note 28)*:		
Current year	(7,610)	(237)
	18,519	25,967

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Accordingly, the profits of two PRC subsidiaries are subject to PRC income tax at a reduced rate of 12% (2007: 12%) for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations enacted the tax rate of 25% for certain subsidiaries from 1 January 2008.

The relevant PRC subsidiaries can continue to enjoy these tax incentives granted according to the grandfathering provisions in the Implementation Regulations.

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Macau subsidiaries are exempted from Macao Complementary Tax.

Taxation arising in jurisdictions other than Hong Kong and PRC is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Profit before taxation	387,873	370,757
Tax at the domestic income tax rate of 17.5% (2007: 17.5%)	67,878	64,882
Tax effect of expenses that are not deductible for tax purpose	11,602	15,164
Tax effect of income not taxable for tax purpose	(44,434)	(31,550)
Tax effect of utilisation of tax losses previously not recognised	(455)	(700)
Tax effect of other deferred tax assets not recognised	861	2,127
Income tax on concessionary rate and tax exemption	(4,559)	(992)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(11,128)	(23,708)
(Over)underprovision in respect of prior years	(1,246)	744
Tax charge for the year	18,519	25,967

Details of deferred taxation are set out in note 28.

8. PROFIT FOR THE YEAR

	2008	**2007**
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration *(note (i))*	18,166	16,098
Other staff costs	246,607	214,594
Total staff costs	264,773	230,692
Auditor's remuneration		
– current year	2,406	2,100
– overprovision in prior years	–	(100)
	2,406	2,000

	2008	2007
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	166,953	145,111
Operating expenses paid to a joint venture partner in the PRC *(note (ii))*	4,031	3,769
Loss on fair value changes of investment properties	10,946	–
Loss on fair value changes of structured borrowings	–	8,360
Net foreign exchange losses	4,016	6,345
Impairment losses recognised on receivables	3,101	–
Release of prepaid lease payments	585	561
and after crediting:		
Gross rental income from investment properties and property, plant and equipment	7,850	6,840
Less: Outgoings	(765)	(735)
Net property rental income	7,085	6,105
Gain on derivative financial instruments which matured during the year	12,793	1,026
Gain on fair value changes of outstanding derivative financial instruments	20,158	4,307
Gain on fair value changes of structured borrowings	8,329	–
Gain on fair value changes of structured deposit	399	–
Gain on disposal of property, plant and equipment	1,901	523
Gain on fair value changes of investment properties	–	17,868
Interest income	3,479	3,000

Included in the total staff costs is an aggregate amount of approximately HK$11,348,000 (2007: HK$9,260,000) in respect of contributions of retirement benefits schemes made by the Group *(Note (iii))*.

The cost of inventories recognised as an expense of the Group approximates the cost of sales as disclosed in the consolidated income statement on page 46.

Notes:

(i) Information regarding directors' and employees' emoluments

Directors

The emoluments paid or payable to each of the eight (2007: eight) directors were as follows:

	Li Ming Hung	Chen Tien Tui	So Kam Wah	Lee Yuen Chiu, Andy	Choi Lin Hung	Kan Ka Hon	Phaisalakani Vichai (Andy Hung)	Kwok Sze Chi	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008									
Fees	–	–	–	–	–	150	150	150	450
Salaries and other benefits	3,360	3,360	946	1,476	2,265	–	–	–	11,407
Performance related incentive payments	2,326	2,326	242	555	571	–	–	–	6,020
Contribution to retirement benefits scheme	48	48	93	82	18	–	–	–	289
Total emoluments	5,734	5,734	1,281	2,113	2,854	150	150	150	18,166
2007									
Fees	–	–	–	–	–	150	150	150	450
Salaries and other benefits	2,810	2,810	883	1,224	1,785	–	–	–	9,512
Performance related incentive payments	2,127	2,127	228	543	797	–	–	–	5,822
Contribution to retirement benefits scheme	48	48	88	112	18	–	–	–	314
Total emoluments	4,985	4,985	1,199	1,879	2,600	150	150	150	16,098

No directors waived any emoluments in the year ended 31 March 2008 and 2007.

Employees

The five highest paid individuals of the Group for both years included four (2007: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2007: one) individual of the Group, not being a director of the Company, are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	1,080	840
Performance related incentive payments	426	377
Contributions to retirement benefits scheme	54	84
	1,560	1,301

(ii) Operating expenses paid to a joint venture partner in the PRC

The amount includes operating lease rentals in respect of rented premises amounting to approximately HK$956,000 (2007: HK$956,000).

(iii) Retirement benefits scheme contributions

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation.

Both the defined contributions retirement benefits scheme and the MPF scheme co-existed within the Group in both years.

As at 31 March 2008 and 2007, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on 17% of the salaries of the relevant subsidiaries' employees, are charged to the income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

In addition, certain overseas subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit schemes as stipulated by relevant local authorities. The employees are entitled to the these subsidiaries' contributions subject to the regulations of the relevant local authorities.

9. DISTRIBUTIONS

	2008	**2007**
	HK$'000	*HK$'000*
2008 Interim dividend of HK8.0 cents (2007: HK7.2 cents) per ordinary share	53,417	46,919
Proposed final dividend of HK6.8 cents (2007: HK6.8 cents) per ordinary share	45,958	45,032
	99,375	91,951

The amount of dividends recognised as distributions to equity holders of the Company was HK$98,403,000 for the year ended 31 March 2008 (2007: HK$85,535,000).

	2008	2007
	HK$'000	*HK$'000*
2008 Interim dividend of HK8.0 cents (2007: HK7.2 cents) per ordinary share	53,417	46,919
2007 final dividend of HK6.8 cents (2006: HK6.0 cents) per ordinary share	44,986	38,616
	98,403	85,535

The amount of the final dividend proposed for the year ended 31 March 2008, which will be in cash form with a scrip dividend option, has been calculated by reference to the 675,849,667 issued ordinary shares outstanding as at the date of these financial statements.

The final dividend of HK6.8 cents (2007: HK6.8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividends were paid in cash and script as follows:

	2008 Interim	2007 Interim	2007 Final
	HK$'000	*HK$'000*	*HK$'000*
Cash	35,090	20,656	23,983
Share alternative	18,327	26,263	21,003
	53,417	46,919	44,986

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company for the year is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	341,788	305,501
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	664,766,145	648,954,956
Effect of dilutive potential ordinary shares in respect of share options	2,556,770	4,214,086
Weighted average number of ordinary shares for the purposes of diluted earnings per share	667,322,915	653,169,042

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 April 2006	853,291	42,772	27,350	14,966	19,710	839,544	1,797,633
Exchange realignment	42,305	12,388	744	338	401	43,646	99,822
Additions	64	418,995	6,108	2,762	2,644	121,101	551,674
Disposals	–	–	(434)	(467)	(967)	(11,786)	(13,654)
At 31 March 2007	895,660	474,155	33,768	17,599	21,788	992,505	2,435,475
Exchange realignment	67,875	45,960	1,320	689	733	72,152	188,729
Additions	515	381,998	5,686	11,648	3,757	20,946	424,550
Transfer	–	(534)	–	159	–	375	–
Transfer to asset held for sale	(2,672)	–	–	–	–	–	(2,672)
Disposals	(1,037)	–	(59)	–	(53)	(23,922)	(25,071)
At 31 March 2008	960,341	901,579	40,715	30,095	26,225	1,062,056	3,021,011
DEPRECIATION							
At 1 April 2006	62,478	–	12,939	7,797	12,430	296,189	391,833
Exchange realignment	3,796	–	320	92	265	17,194	21,667
Provided for the year	24,706	–	4,906	1,578	2,878	111,043	145,111
Eliminated on disposals	–	–	(407)	(462)	(967)	(2,062)	(3,898)
At 31 March 2007	90,980	–	17,758	9,005	14,606	422,364	554,713
Exchange realignment	7,666	–	664	174	428	31,755	40,687
Provided for the year	33,301	–	5,630	2,533	3,817	121,672	166,953
Eliminated upon transfer to asset held for sale	(378)	–	–	–	–	–	(378)
Eliminated on disposals	(1,037)	–	(49)	–	(35)	(23,811)	(24,932)
At 31 March 2008	130,532	–	24,003	11,712	18,816	551,980	737,043
CARRYING VALUE							
At 31 March 2008	829,809	901,579	16,712	18,383	7,409	510,076	2,283,968
At 31 March 2007	804,680	474,155	16,010	8,594	7,182	570,141	1,880,762

On 17 October 2007, the Group entered into a provisional sale agreement with an independent third party to dispose of certain properties at a consideration of HK$18,336,000. Accordingly, the property and the related prepaid lease payments were transferred to asset held for sale.

The above items of property, plant and equipment are depreciated using the straight line method at the following rates per annum:

Buildings	4% per annum
Leasehold improvements	5 to 10 years or over the term of the relevant leases, if shorter
Furniture, fixtures and equipment	15% – 25% per annum
Motor vehicles	20% per annum
Plant and machinery	$6^2/_3$% – 25% per annum

All of the Group's leasehold buildings are held under medium-term leases in the PRC.

12. PREPAID LEASE PAYMENTS

	2008	**2007**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term leases	–	4,009
Leasehold land outside Hong Kong:		
Medium-term leases	21,762	20,640
	21,762	24,649
Analysed for reporting purposes as:		
Current asset	479	670
Non-current asset	21,283	23,979
	21,762	24,649

On 17 October 2007, the Group entered into a provisional sale agreement with an independent third party to dispose of certain properties at a consideration of HK$18,336,000. Accordingly, the prepaid lease payments with the carrying amount of HK$3,433,000 were transferred to asset held for sale.

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2006	92,870
Additions	122,342
Gain on fair value changes recognised in the income statement	17,868
At 31 March 2007	233,080
Transfer to asset held for sale	(219,664)
Loss on fair value changes recognised in the income statement	(10,946)
At 31 March 2008	2,470

The fair value of the Group's investment properties as at the balance sheet dates has been arrived at on the basis of a valuation carried out as of that date by Savills (Hong Kong) Limited, independent qualified professional valuers not connected with the Group. Savills (Hong Kong) Limited is a member firm of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market prices for similar properties.

On 17 October 2007, the Group entered into a provisional sale agreement with an independent third party to dispose of the investment properties at a consideration of HK$219,664,000. Accordingly, the investment properties were transferred to asset held for sale. The consideration of HK$219,664,000 was taken as the fair value as at the balance sheet date, which gave rise to a loss on fair value change of HK$10,946,000 which was charged directly to the consolidated income statement.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using fair value model and are classified and accounted for as investment properties. They are all situated in Hong Kong and are held under medium-term leases.

14. GOODWILL

	HK$'000
COST	
At 1 April 2006, 31 March 2007 and 31 March 2008	6,185

As explained in Note 5, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill was allocated to a cash generating unit (CGU), which is the garment products segment. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2008 allocated to this unit is as follows:

	Goodwill *HK$'000*
Garment products	6,185

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 5% (2007: 5.5%). The cash flows beyond the 5-year period are extrapolated using a steady 5% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 March 2008, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Proportion of nominal value of issued capital held by the Group	Principal activity
Gojifashion Inc.	Incorporation	Canada	Canada	50%	Sale and marketing of knitwear apparels

	2008	2007
	HK$'000	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	1,340	1,340
Share of loss	(1,340)	(1,002)
	–	338

	2008	2007
	HK$'000	*HK$'000*
Current assets	939	1,670
Non-current assets	133	162
Current liabilities	2,216	785
Non-current liabilities	–	–
Income	678	369
Expenses	2,869	2,372

The Group has discontinued recognition of its share of losses of the jointly controlled entity. The amounts of unrecognised share of the jointly controlled entity, extracted from the relevant management accounts of jointly controlled entity, both for the year and cumulatively, are as follows:

	2008
	HK'000
Unrecognised share of losses of jointly controlled entity for the year	758
Accumulated unrecognised share of losses of jointly controlled entity	758

16. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	851,579	665,231
Work in progress	355,960	261,249
Finished goods	287,661	291,924
	1,495,200	1,218,404

17. TRADE RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	912,737	960,205
Less: allowance for doubtful debts	(6,295)	(3,194)
	906,442	957,011

The Group allows an average credit period of 90 – 120 days to its trade customers.

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

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	723,767	714,194
61 – 90 days	115,703	125,301
91 – 120 days	36,931	82,500
Over 120 days	30,041	35,016
	906,442	957,011

Included in the Group's trade receivable balance are debtors that are overdue for more than 120 days with aggregate carrying amount of HK$30,041,000 (2007: HK$35,016,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 110 days (2007: 110 days).

The Group has provided fully for all receivables that are aged over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	3,194	3,194
Impairment losses recognised on receivables	3,101	–
Balance at end of the year	6,295	3,194

18. STRUCTURED DEPOSIT

At the balance sheet date, the structured deposit was stated at fair value. The fair value was provided by the issuing bank using valuation technique.

Under the relevant agreement, this structured deposit contains an embedded derivative, the return of which is determined by reference to the change in certain interest rates quoted in the market.

Major terms of the structured deposit at 31 March 2008:

Principal amount	Maturity	Coupon rate
US$5,000,000	16 February 2010 (subject to the option for early termination at the discretion of holder of the structured deposit)	First coupon payment: 5.75% Remaining seven coupon payments: (3.95% minus CMS2Y) x 7 (subject to a minimum rate of 0%)

Where:

"CMS2Y" means the 2-year Constant Maturity Swap Rate as stated on Reuters Screen ISDAFIX1 Page as of 11:00 own New York time on the day that is two U.S. Government Securities Business Days preceding the Reset Date.

At the balance sheet date, the structured deposit was stated at fair value and classified as current as the management intent to exercise the option for early termination within 12 months from the balance sheet date. The fair value is calculated using discounted cashflow analysis based on the applicable yield curves of interest rates.

19. BANK BALANCES AND CASH

Bank balances and cash of the Group comprises bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and are with maturity of three months or less. The bank deposits carry fixed interest rates ranged from 1.5% to 2.7% (2007: 3.0% to 5.4%) per annum.

20. ASSET CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD FOR SALE

During the year, the Group entered into a provisional sales agreement with an independent third party to dispose of certain property interests comprising of self-used buildings and investment properties. Accordingly, the relevant property interests were reclassified from property, plant and equipment, prepaid lease payments and investment properties to asset held for sale in the balance sheet at 31 March 2008.

The Group received a sale deposit of HK$14,042,000 in respect of the above disposal. Together with the associated deferred tax liability and mortgage loans of HK$1,108,000 and HK$53,932,000 as set out in notes 28 and 22 respectively, the aggregated balance of HK$69,082,000 was classified as liabilities associated with asset classified as held for sale in the consolidated balance sheet.

21. TRADE PAYABLES

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

	2008	**2007**
	HK$'000	*HK$'000*
0 – 60 days	376,486	423,973
61 – 90 days	33,050	44,226
Over 90 days	41,027	71,595
	450,563	539,794

The average credit period on purchase of goods is 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

22. BANK BORROWINGS

	2008	**2007**
	HK$'000	*HK$'000*
Bank loans	1,658,438	1,183,084
Bills discounted with recourse and debts factored with recourse	264,614	200,030
Import loans and trust receipts loans	428,247	395,205
Mortgage loans	53,932	65,404
Transfer to liabilities associated with asset classified as held for sale	(53,932)	–
	2,351,299	1,843,723
Analysed as:		
– secured	–	65,404
– unsecured	2,351,299	1,778,319
	2,351,299	1,843,723

	2008	2007
	HK$'000	*HK$'000*
Carrying amount repayable:		
On demand or within one year	1,160,339	788,483
In more than one year but not more than two years	392,429	219,715
In more than two years but not more than three years	385,641	401,541
In more than three years but not more than four years	412,890	394,890
In more than four years but not more than five years	–	19,198
In more than five years	–	19,896
	2,351,299	1,843,723
Less: Amount due within one year included in current liabilities	(1,160,339)	(788,483)
Amount due after one year	1,190,960	1,055,240

The above includes a syndicated loan of HK$1,388,000,000 which bears interest at Hong Kong Interbank Offered Rate (HIBOR) plus 0.5% per annum and with a tenure of 5 years. The effective interest rate of the Group's other variable-rate bank borrowings are within a range from 4.6% to 5.5% (2007: 4.9% to 5.8%) per annum.

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars *(equivalent to HK$'000)*
As at 31 March 2008	2,687
As at 31 March 2007	17,638

23. STRUCTURED BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Structured borrowings, classified as:		
Current	17,168	18,832
Non-current	51,503	75,328
	68,671	94,160

The structured borrowings contain embedded derivatives. Hence the entire combined contracts were designated as at fair value through profit or loss upon initial recognition. The estimated amount repayable to the bank within one year, evenly split accordingly to repayment term, is classified as current liability.

Major terms of the structured borrowings are set out below:

Notional amount	Upfront payment	Maturity date	Repayment amount
US$50,000,000	US$5,000,000	11 October 2011	First half year: 2% p.a. on notional amount Remaining four and half years: 8% minus (6% x N/M) p.a. on notional amount
US$60,000,000	US$6,000,000	22 September 2011	First half year: 2% p.a. on notional amount Remaining four and half years: 8.5% minus (6.5% x N/M) p.a. on notional amount

Where:

N = number of business days in the period for which Spread Rate > -0.13% and > -0.10% for the structured borrowings with notional amount of US$50,000,000 and US$60,000,000 respectively.

M = actual number of business days in the period

"Spread Rate" means 10 years US$-ISDA-Swap Rate minus 2 years US$-ISDA-Swap Rate

"10 years US$-ISDA-Swap Rate" means the rate for a reset date will be the rate for U.S. Dollar swaps with a maturity of the designated maturity of 10 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

"2 years US$-ISDA-Swap Rate" means the rate for a reset date will be the rate for U.S. Dollar swaps with a maturity of the designated maturity of 2 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

The entire combined contract is measured at fair value and calculated using discounted cashflow analysis based on the applicable yield curves at 31 March 2008. As at 31 March 2008, difference between the fair value as compared with the net amount of the upfront payment received less the repayment made was HK$31,000 (2007: HK$8,360,000). Increase in fair value of HK$8,329,000 (2007: decrease of HK$8,360,000) during the year had been credited (2007: charged) to the income statement.

The structured borrowing is denominated in United States dollars that is the currency other than the functional currencies of the group entity.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest rates swaps *(note a)*	18,331	(252)	1,649	(25)
Foreign currency forward contracts *(note b)*	15,641	(11,938)	–	–
	33,972	(12,190)	1,649	(25)

Notes:

(a) Major terms of the interest rate swaps as at 31 March 2008 are as follows:

Notional amount	Maturity	Swaps
US$80,000,000 in aggregate	From 26 February 2011 to 10 August 2012	*note (i)*
EUR50,000,000	10 July 2012 (subject to the option for early termination at the discretion of holder of the structured borrowings)	*note (ii)*

Notes:

(i) The Group receives interest calculated using pre-determined formula rate and pays interests at 3-month United States dollars LIBOR throughout the interest rate swap period to the counterparty.

(ii) The Group receives interest calculated using pre-determined formula and pays interests at 3-month EURIBOR throughout the interest rate swap period to the counterparty.

Major terms of the interest rate swaps as at 31 March 2007 are as follows:

Notional amount	Maturity	Swaps
HK$10,937,500	18 March 2008	*note (i)*
HK$450,000,000 in aggregate	2 December 2007 and 3 December 2007	*note (ii)*

Notes:

(i) The Group receives a 3-month Hong Kong dollars HIBOR for the remaining life of the interest rate swap period. The Group pays for a floating rate of 6-month Hong Kong dollars HIBOR less 0.35% throughout the interest rate swap period to the counterparty.

(ii) The Group receives 6-month Hong Kong dollars HIBOR for the remaining life of the interest rate swap period. The Group pays for a fixed rate of 3% or 6-month Hong Kong dollars HIBOR throughout the interest rate swap period to the counterparty, which is lower.

(b) Major terms of the outstanding foreign currency forward contracts are as follows:

Notional amount	Forward Contract Rates	Maturity
8 contracts to buy US$24,000,000 in total	US$1 to RMB7.0940 – 7.3075	From 11 April 2008 to 12 November 2008
8 contracts to sell US$24,000,000 in total	US$1 to RMB7.4106 – 7.5196	From 11 April 2008 to 12 November 2008

The above derivatives are measured at fair value at each balance sheet date. Their fair value are determined based on the quoted market prices provided by multi-national financial institutions for equivalent instruments at the balance sheet date.

25. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
At 1 April 2006, 31 March 2007 and 31 March 2008, at HK$0.01 each	40,000,000,000	400,000
Issued and fully paid:		
At 1 April 2006	643,601,133	6,436
Issue of shares pursuant to scrip dividend scheme for 2006 final and 2007 interim dividend *(note i)*	17,332,766	173
At 31 March 2007	660,933,899	6,609
Issue of shares pursuant to scrip dividend scheme for 2007 final and 2008 interim dividend *(note ii)*	17,215,768	172
Shares repurchased *(note iii)*	(3,600,000)	(36)
Exercise of share options *(note iv)*	1,300,000	13
At 31 March 2008	675,849,667	6,758

Notes:

(i) On 13 October 2006 and 5 March 2007, the Company issued and allotted a total of 8,055,608 shares and 9,277,158 shares of HK$0.01 each at an issue price of HK$2.3427 and HK$2.8310 each in lieu of cash for the 2006 final and 2007 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 8 September 2006 and 19 January 2007 respectively. These shares rank pari passu in all respects with the then existing shares.

(ii) On 18 October 2007 and 7 March 2008, the Company issued and allotted a total of 8,914,678 shares and 8,301,090 shares of HK$0.01 each at an issue price of HK$2.3560 and HK$2.2078 each in lieu of cash for the 2007 final and 2008 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 17 September 2007 and 25 January 2008 respectively. These shares rank pari passu in all respects with the then existing shares.

(iii) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of 0.01 each	Price per share Highest	Lowest	Total consideration paid
		HK$	*HK$*	*HK$*
August 2007	2,188,000	3.02	2.50	5,799,940
September 2007	1,130,000	2.52	2.37	2,765,860
October 2007	116,000	2.50	2.44	285,180
January 2008	166,000	2.11	2.00	347,720
	3,600,000			9,198,700

(iv) During the year, a total of 1,300,000 ordinary shares of the Company were issued upon the exercise of 600,000 and 700,000 share options at an exercise price of HK$3.04 and HK$3.15 with the consideration of HK$1,824,000 and HK$2,205,000 respectively.

26. CAPITAL RESERVE

The capital reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to the group reorganisation which became effective on 22 April 1996, reduced by the amount arising from the capital reduction in January 2001.

27. SHARE-BASED PAYMENT TRANSACTIONS

At a special general meeting of the Company held on 30 November 2001 ("Adoption Date"), the shareholders of the Company approved the adoption of the new share option scheme of the Company (the "Scheme") and the termination of the then existing share option scheme of the Company. The Scheme was adopted for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and will expire on 29 November 2011. Under the Scheme, the Board of Directors of the Company may grant options to full-time employees, including executive directors of the Company and its subsidiaries, and any participants from time to time determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

At 31 March 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 130,700,000 (2007: 132,000,000), representing approximately 19% (2007: 20%) of the shares of the Company in issue at that date. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Adoption Date. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per grant of option(s). Options may, subject to the black-out periods under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The following table discloses movements in the Company's share options during both years:

				Number of option shares				
Category	Date of grant	Exercise price *HK$*	Exercisable period	Outstanding at 1.4.2006	Lapsed during the year	Outstanding at 1.4.2007	Exercised during the year	Outstanding at 31.3.2008
Directors								
Mr. Li Ming Hung	9 October 2003	3.04	9.10.2004 – 29.11.2011	500,000	–	500,000	–	500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	1,000,000	–	1,000,000	–	1,000,000
Mr. Chen Tien Tui	9 October 2003	3.04	9.10.2004 – 29.11.2011	500,000	–	500,000	–	500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	1,000,000	–	1,000,000	–	1,000,000
Mr. So Kam Wah	23 May 2003	2.35	27.5.2003 – 29.11.2011	3,300,000	–	3,300,000	–	3,300,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	1,700,000	–	1,700,000	–	1,700,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	4,000,000	–	4,000,000	–	4,000,000
Mr. Lee Yuen Chiu, Andy	23 May 2003	2.35	27.5.2003 – 29.11.2011	1,500,000	–	1,500,000	–	1,500,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	3,500,000	–	3,500,000	–	3,500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	4,000,000	–	4,000,000	–	4,000,000
Mr. Choi Lin Hung	23 May 2003	2.35	27.5.2003 – 29.11.2011	1,500,000	–	1,500,000	–	1,500,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	3,500,000	–	3,500,000	–	3,500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	4,000,000	–	4,000,000	–	4,000,000
Employees	23 May 2003	2.35	27.5.2003 – 29.11.2011	23,100,000	–	23,100,000	–	23,100,000
	9 October 2003	3.04	9.10.2004 – 29.11.2011	39,800,000	(700,000)	39,100,000	(600,000)	38,500,000
	4 June 2004	3.15	7.6.2004 – 29.11.2011	40,500,000	(700,000)	39,800,000	(700,000)	39,100,000
				133,400,000	(1,400,000)	132,000,000	(1,300,000)	130,700,000
Exercisable at the end of the year				133,400,000		132,000,000		130,700,000
Weighted average exercise price (HK$)				2.933	3.095	2.931	3.099	2.929

28. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2006	2,203	6,948	9,151
(Credit) charge to income statement for the year	(1,934)	1,697	(237)
At 31 March 2007	269	8,645	8,914
Credit to income statement for the year	(55)	(7,555)	(7,610)
Transfer to liabilities associated with assets classified as held for sale *(Note 20)*	(18)	(1,090)	(1,108)
At 31 March 2008	196	–	196

At the balance sheet date, the Group had unused tax losses of approximately HK$2,898,000 (2007: HK$3,865,000) available for offset against future profits and deductible temporary difference of approximately HK$36,671,000 (2007: HK$34,085,000) in respect of accelerated accounting depreciation. No deferred tax assets have been recognised in respect of the unused tax losses and the deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

According to the Tax Law, starting from 1 January 2008, 10% of withholding income tax will be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$240,097,000 (2007: HK$208,929,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated Impairment of Trade Receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2008, the carrying amount of trade receivable is HK$906,442,000 (net of allowance for doubtful debts of HK$6,295,000).

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 22 and 23, equity reserves attributable to equity holders of the Company, comprising issued share capital and various reserves and accumulated profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

31. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2008	**2007**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,390,491	1,179,781
Derivative financial instruments	33,972	1,649
Structured deposit *(note i)*	39,399	–
Financial liabilities		
Amortised cost	2,858,438	2,447,259
Derivative financial instruments	12,190	25
Structured borrowings *(note ii)*	68,671	94,160

Notes:

(i) **Structured deposit**

Difference between carrying amount and outstanding principal amount		
At fair value	39,399	–
Outstanding principal at balance sheet date	(39,000)	–
	399	–

(ii) **Structured borrowings**

Difference between carrying amount and outstanding principal amount		
At fair value	68,671	94,160
Outstanding principal at balance sheet date	(68,640)	(85,800)
	31	8,360

The change in fair value was mainly due to change in market risk factors. The fair value attributable to change in its credit risk is considered minimal.

(b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, other receivables, structured deposit, derivative financial instruments, bank balances, trade payables, other payables, bank borrowings and structured borrowings. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market Risk

(i) Currency Risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to risk changes in foreign exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	158,454	130,454	283,745	172,096
RMB	399	–	24,648	44,642

Sensitivity Analysis

As HKD is pegged with USD, the Group's currency risk in relation to the monetary assets/liabilities denominated in HKD is not expected to be significant.

The Group is mainly exposed to RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A 5% strengthen of the relevant foreign currency against HKD will give rise to exchange profit as follow, and vice versa.

	RMB Impact	
	2008	**2007**
	HK$'000	*HK$'000*
Profit for the year	1,212	2,232

(ii) Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, bank borrowings and structured borrowings (see notes 19, 22 and 23 for details of bank balances, derivative financial instruments, bank borrowings and structured borrowings). It is the Group's policy to keep its bank balances and borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

In respect of the structured borrowings, the repayment amounts are based on the spread rates between 10 years US$-ISDA-Swap Rate and 2 years US$-ISDA-Swap Rate, the entire borrowing is designated as fair value through profit or loss as disclosed in note 23. Other than the structured borrowing, variable-rate bank borrowing also exposed the Group to cash flow interest rate risk (see note 22). Majority of the bank borrowings are at variable-rate and determined by reference to the prevailing market rate.

Structured deposit is designated at fair value through profit or loss and hence exposed the Group to fair value interest rate risk. As set out in note 18, the first coupon payment is at a fixed rate of 5.75%. The remaining coupon payments are at variable rate.

The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's bank borrowings.

Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to variable interest rate of bank borrowings at the balance sheet date. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If HIBOR interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$11,868,000 (2007: HK$9,548,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

For structure borrowings with notional amount of US$50,000,000 and US$60,000,000, the number of business days in the period for which Spread Rate > -0.13% and > -0.10% respectively, is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If 7 (2007: 7) business days in the period for which Spread Rate > -0.13% and > -0.10% respectively, and all other variables were held constant, the Company's profit for the year ended 31 March 2008 would increase by HK$1,046,500 (2007: nil). This is mainly attributable to the Company's exposure to interest rates on its structured borrowing.

Credit Risk

As at 31 March 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. An impairment loss of approximately HK$3,101,000 (2007: nil) in respect of the trade receivable was recognised by the Group for the year. In this regard, the directors of the Company consider that the Group's credit risk is minimal.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity Risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and structured borrowing and ensures compliance with loan covenants.

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2008
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-derivative financial liabilities							
Trade and other payables		254,178	162,069	36,960	–	453,207	453,207
Bank borrowings	4.81%	873,151	88,630	240,669	1,258,827	2,461,277	2,351,299
Mortgage loan	4.60%	–	56,412	–	–	56,412	53,932
		1,127,329	307,111	277,629	1,258,827	2,970,896	2,858,438
Structured borrowings	2.65%	8,807	–	8,807	52,844	70,458	68,671
Derivatives – net settlement							
Interest rate swaps	3.16%	–	172	88	–	260	252
Derivatives – gross settlement							
Foreign exchange forward contracts							
– outflow	–	24,091	47,832	117,865	–	189,788	N/A
– inflow	–	(23,190)	(46,380)	(115,950)	–	(185,520)	N/A
		901	1,452	1,915	–	4,268	3,703

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2007
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007							
Non-derivative financial liabilities							
Trade and other payables		439,843	137,890	25,803	–	603,536	603,536
Bank borrowings	4.90%	614,520	149,287	47,979	1,130,818	1,942,604	1,843,723
		1,054,363	287,177	73,782	1,130,818	2,546,140	2,447,259
Structured borrowings	2..85%	11,031	–	11,031	66,184	88,246	94,160
Derivatives – net settlement							
Interest rate swaps	3.37%	–	–	26	–	26	25

(c) Fair Value

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

- the fair value of other financial assets and financial liabilities (including derivative instruments, structured deposit and structured borrowings) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

32. MAJOR NON-CASH TRANSACTIONS

Details of scrip dividends in lieu of cash are set out in note 25.

33. PLEDGE OF ASSETS

As at 31 March 2008, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Investment properties (included in asset classified as held for sale)	133,154	173,100

34. COMMITMENTS

(i) Capital commitments

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	178,420	53,810

(ii) Operating lease commitments and arrangements

The Group as lessee

	2008	2007
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases in respect of premises during the year	4,603	4,581

At the balance sheet date, the Group had commitments for future minimum lease payments, excluding the amount as set out in (i) above, under non-cancellable operating leases in respect of rented premises and warehouses which fall due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	3,181	3,230
In the second to fifth year inclusive	1,761	1,858
	4,942	5,088

Operating lease payment represents rental payable by the Group for its office premises and warehouse. Leases are negotiated for terms ranging from one to four years and rental is fixed throughout the lease period.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	*HK$'000*
Within one year	1,039	7,610
In the second to fifth year inclusive	12	5,098
	1,051	12,708

All of the investment properties held have committed tenants for the next two years.

35. POST BALANCE SHEET EVENT

Other than the completion of the disposal of the building and investment properties at a consideration of HK$18,336,000 and HK$219,664,000 on 27 May 2008 as set out in notes 11 and 13 respectively, the Group had no other significant post balance sheet events.

36. RELATED PARTY DISCLOSURES

(i) During the year, the Group paid operating lease rentals amounting to approximately HK$108,000 (2007: HK$108,000) to Verdure Enterprises Limited ("Verdure"). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a director of the Company, and his family.

The payment of the above operating lease rentals constitutes an exempted connected transaction under Chapter 14A of the Listing Rules.

(ii) On 9 September 2005, the Group entered into a master sale and purchase agreement ("Master Supply Agreement") with 南京新一棉紡織印染有限公司 Nanjing Synergy Textiles Limited ("Nanjing Synergy"). The issued share capital of Nanjing Synergy is indirectly owned as to 50% each by a discretionary trust whose discretionary beneficiaries are the family members of Mr. Li Ming Hung and discretionary trust whose discretionary beneficiaries are the family members of Mr. Chen Tien Tui, both are directors of the Company. Pursuant to the Master Supply Agreement, Nanjing Synergy agreed to supply yarn to the Group and the purchase during the year was approximately HK$329,642,000 (2007: HK$167,644,000). As at 31 March 2008, the aggregate amount of purchase deposits placed by the Group in Nanjing Synergy was approximately HK$55,577,000 (2007: HK$63,872,000) which were included in deposits, prepayments and other receivables.

The transactions contemplated by the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(iii) On 1 April 2007, the Group entered into a master sale and purchase agreement ("Kimberly-Mayer Master Agreement") with 加美(清遠)制衣有限公司 Kimberly (Qing Yuan) Garment Limited ("Kimberly"). Kimberly is owned by a director of a subsidiary of the Company. Pursuant to the Kimberly-Mayer Master Agreement, Kimberly agreed to supply apparel products to the Group and the purchase during the year was approximately HK$38,075,000 (2007: Nil). As at 31 March 2008, the aggregate amount of purchase deposits placed by the Group in Kimberly was approximately HK$4,894,000 (2007: Nil) which were included in deposits, prepayments and other receivables.

The transactions contemplated by the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(iv) During the year, the Company and certain of its subsidiaries had conditionally agreed to provide guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited ("Ford Glory"), a subsidiary of the Company in which Mr. Choi Lin Hung has a 49% beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK$579 million in aggregate as at 31 March 2008 (2007: HK$339 million). The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. The provision of the guarantees constitutes connected transactions under Rule 14A.13(2) of the Listing Rules of the Stock Exchange. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant subsidiaries of the Company.

(v) The remuneration of directors and other members of key management during the year was as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	19,383	17,001
Post employment benefits	343	398
	19,726	17,399

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

The above payment of remuneration did not constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2008 and 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Attributable equity held the Company		Principal activities
			Directly %	Indirectly %	
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	–	100	Trading of dyed yarn
CSG Apparel Inc.	Canada	Common stock CAD1	–	51	Trading of garment products
Elite Sound Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property holding
Ford Glory Holdings Limited	British Virgin Islands	Ordinary US$100	–	51	Investment holding
Ford Glory International Limited	Hong Kong	Ordinary HK$5,000,000	–	51	Trading of garment products
Glory Time Limited	Hong Kong	Ordinary HK$100	–	35.7	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	–	100	Property holding
PT Victory Apparel Semarang	Indonesia	Ordinary US$300,000	–	51	Manufacture of garment

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Attributable equity held the Company		Principal activities
			Directly %	Indirectly %	
Top Star Limited	Hong Kong	Ordinary HK$2	–	51	Property holding
V-Apparel International Limited	Hong Kong	Ordinary HK$100	–	100	Manufacture of garment
Value Plus (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	51	Provision of quality inspection service
Victory Apparel Jordan Manufacturing Limited	Jordan	Ordinary JD50,000	–	51	Manufacture of garment
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred *(note (i))* HK$8,000,000	–	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US$6	100	–	Investment holding
Victory City Investments Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US$2 Preference US$3,300 *(note (ii))*	–	100	Investment holding and provision of subcontracting services
江門市新會區冠華針織廠有限公司 ("Xinhiu Victory City") *(note (iii))*	PRC	US$20,944,510	–	100	Knitting, dyeing and finishing of fabric
江門市新會區揚名針織廠有限公司	PRC	*(note (iv))*	–	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 *(note (v))*	PRC	US$6,595,167	–	100	Dyeing of yarn and provision of related subcontracting services
江門冠暉製衣有限公司 *(note (v))*	PRC	HK$30,000,000	–	60	Manufacture of garment
福之源貿易(上海)有限公司 *(note (v))*	PRC	RMB1,000,000	–	51	Trading of garment products

Notes:

(i) The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of respective subsidiaries or to participate in any distribution on a winding-up.

(ii) The redeemable non-voting preference shares of VCOL, which are held by Messrs. Li Ming Hung, Chen Tien Tui and Choi Lin Hung, carry minimal right to receive notice of or to attend or vote at any general meeting of VCOL. On a winding-up, the holders of the redeemable non-voting preference shares shall be entitled to receive a return of the capital paid up on the redeemable non-voting preference shares held by them respectively.

(iii) Pursuant to the co-operative joint venture contract and various supplemental agreements, the Group is to bear the entire risk and liabilities and share the entire profit and loss of Xinhui Victory City during the term of the co-operative joint venture commencing from 6 May 1988 (date of establishment of Xinhui Victory City) to 22 May 2007. Upon the termination of the co-operative joint venture, the PRC joint venture partner had re-possessed the assets it had contributed or the residual value of the assets. The Group had accordingly paid the PRC joint venture partner an operating expense for the use of plant and machinery and factory premises contributed and other facilities provided by the PRC joint venture partner, and Xinhui Victory City is treated by the Group as a wholly-owned subsidiary for accounting purposes. At the balance sheet date, Xinhui Victory City has been changed to a Wholly Foreign Owned Enterprises.

(iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門市新會區揚名針織廠有限公司 was approximately US$1,709,000 as at 31 March 2008, which was wholly contributed by the Group. Additional capital contribution by the Group during the year ended 31 March 1999, which amounted to approximately US$394,000, has not yet been verified as at 31 March 2008.

(v) This company is a wholly foreign owned enterprise incorporated in the PRC with limited liability.

None of the subsidiaries had any debt securities subsisting at 31 March 2008 or at any time during the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal financial resources, the cash flows to be generated from the operating activities and the estimated net proceeds of the Rights Issue to be received if the Rights Issue becomes unconditional, the Group will have sufficient working capital for at least twelve months from the date of this Prospectus.

4. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 October 2008, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding unsecured bank borrowings of approximately HK$2,243 million and structured borrowing of approximately HK$55 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 31 October 2008, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31 March 2008, the date to which the latest published audited accounts of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS OF THE GROUP

FOR THE YEAR ENDED 31 MARCH 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue for the year ended 31 March 2008 increased by about 5% from HK$3.9 billion to HK$4.1 billion. Revenue of production and sale of knitted fabric and dyed yarn increased by 3% to HK$2.7 billion, representing 65% of the consolidated revenue whereas revenue of garment sourcing, manufacturing and exporting business surged to HK$1.4 billion, signifying a 11% growth as compared with last year and representing 35% of the consolidated revenue.

During the year under review, uncertain economic environment brought by the subprime crisis led to volatility in purchase orders since the second half of the financial year affected the revenue growth of the Group. On the other hand, the expedited consolidation of the fabric industry enabled us to increase market share. In addition, the increase in average selling price of both knitted fabric and dyed yarn contributed to the revenue growth. For the garment segment, the increase in revenue was attributable to the diversified product ranges as well as full-scale operations of self-owned garment manufacturing facilities.

Gross profit margin for production and sale of knitted fabric and dyed yarn slightly dropped from 21.7% to 21.5% in the year under review. Cotton price remained reasonably steady throughout the year whereas various operating costs such as dyestuff and chemicals, spandex, coal and wages increased rapidly. The increase in average selling price mitigated the rising costs impact and kept the profit margins of the textile segment at similar level as compared with previous year. Unfortunately, severe price competition affected the margins of the garment segment and the gross profit margin reduced from 14.1% to 12.9% for the year under review.

Other income increased from HK$45.6 million in 2007 to HK$73.0 million in 2008, mainly contributed by gain on fair value changes of some derivative financial instruments of HK$20.2 million and gain on fair value changes of structured borrowings of HK$8.3 million.

Administrative expenses increased from HK$241.2 million in 2007 to HK$281.5 million in 2008, represented 6.9% of consolidated revenue (2007: 6.2%), mainly due to enhanced staff and administrative outlays as a result of the new PRC labour law and appreciated Renminbi, increased expenses in offshore factories and loss on fair value changes of investment properties.

Selling and distribution costs dropped from HK$116.9 million in 2007 to HK$96.7 million in 2008, mainly due to close down of Singapore and Korea sales offices as well as increase in PRC domestic sales, of which incurred relatively low transportation costs.

Finance costs increased slightly from HK$63.0 million in 2007 to HK$65.1 million in 2008. The Group has tried its best endeavour in obtaining favourable banking facilities with its bankers so as to reduce its finance costs.

Liquidity and Financial Resources

As at 31 March 2008, the Group had total assets of HK$5,608,436,000 (2007: HK$4,655,392,000) which were financed by current liabilities of HK$1,856,712,000 (2007: HK$1,503,120,000), long term liabilities of HK$1,242,659,000 (2007: HK$1,139,482,000) and shareholders' equity of HK$2,391,639,000 (2007: HK$1,922,412,000). The current ratio was approximately 1.8 (2007: 1.7) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of structured deposits, bank balances and cash) to shareholders funds was 71% (2007: 80%). All of the Group's borrowings were at floating rate basis.

The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion. Should other opportunities arise requiring additional funding, the Directors believe that the Group is in a good position to obtain financing on favourable terms.

Foreign Exchange and Interest Rate Risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest-bearing bank borrowings of the Group were HIBOR based Hong Kong dollar borrowings with maturity due within five years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international banks.

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk, the Group had entered into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

During the year, the Group invested approximately HK$425 million on additions to property, plant and equipment.

As at 31 March 2008, the Group had capital commitments of approximately HK$178 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

Charges on Assets

As at 31 March 2008, certain investment properties of the Group with net book value of approximately HK$133 million (2007: HK$173 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2008, total number of employees of the Group were approximately 260 in Hong Kong and Macau (2007: 250), approximately 5 (2007: 10) in the United States and Canada, approximately 540 in Jordan (2007: 1,200), approximately 1,470 in Indonesia (2007: 1,150) and approximately 8,645 in the People's Republic of China (2007: 7,860). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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 an appropriate incentive interest for the growth of the Group.

Major Customers and Suppliers

In the year under review, sales to the five largest customers accounted for 24.0% of the total revenue for the year and sales to the largest customer included therein accounted for 12.0%.

Purchase from the five largest suppliers accounted for 26.7% of the total purchases for the year and purchase from the largest supplier included therein accounted for 9.9%.

None of the Directors, their respective associates (as defined in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) or shareholders of the Company who own more than five percent of the issued share capital of the Company has any interest in the Group's five largest customers during the year under review.

7. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the years to come, the Group continues to dedicate its effort to achieve corporate vision of being a worldwide premier supplier of choice for the textile and garment products. Measures and endeavors will also be made to fine-tune the Group's business portfolio and to exploit larger market share with a view to improving its competitive edges and profitability.

Looking ahead, the continuing consolidation of the textile industry together with the growing demand of quality fabric from the domestic People's Republic of China ("PRC") market will contribute to the Group's revenue growth. Apart from that, the Group will continue to focus on enhancement of business fundamentals, operational efficiency and incessant cost control. The Xinhui production facilities have commenced a series of production modification process which will enhance the Group's production efficiency as well as improve the Group's product quality. The elimination of export quotas from PRC to Europe since January 2008 and the impending elimination to US in 2009 will certainly provide steady and predictable growth for the export of Chinese textiles and garment products. The Group's garment segment, with the self-owned garment manufacturing facilities in PRC and Indonesia, is well-positioned to capitalize the rising business opportunities. Apart from the export orders, the Group also started to manufacture garment apparel for domestic PRC customers. With the strong backup from the vertically integrated set-up, orders from PRC branded customers have been increasing satisfactorily and the Group expects its domestic market share in PRC to grow steadily in the coming years.

Going forward, challenges as well as opportunities will arise from the expedited consolidation in the textile industry. The management believes that with the Group's solid foundation, well-planned environmental conscious infrastructure and committed focus of the management team, the Group is well-equipped to enhance its competitiveness and to meet the new challenges in the market.

The following unaudited pro forma financial information prepared in accordance with Paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purposes only, and is set out here to provide Shareholders with further information about how the Rights Issue might have affected the net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the said information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 March 2008.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited consolidated net assets of the Group as at 31 March 2008, extracted from the published annual report of the Group as set out in Appendix I to the Prospectus and the adjustments described below.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2008	**Audited consolidated net tangible assets of the Group attributable to equity holders of the Company per Share as at 31 March 2008**	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma consolidated net tangible assets of the Group attributable to equity holders of the Company after the Rights Issue**	**Unaudited pro forma consolidated net tangible assets of the Group attributable to equity holders of the Company per Share after the Rights Issue**
	HK$'000	*HK$*	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*
Based on 341,831,666 Rights Shares issued	2,385,454	3.53	146,464	2,531,918	2.47

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2008 are based on the audited consolidated balance sheet of the Group as at 31 March 2008 of approximately HK$2,391,639,000 equity attributable to equity holders of the Company as set out on page 27 of this Prospectus, and adjusted for goodwill of approximately HK$6,185,000. The audited consolidated net tangible assets of the Group attributable to equity holders of the Company per Share as at 31 March 2008 is calculated based on 675,849,667 Shares in issue as at 31 March 2008.

2. The estimated net proceeds from the Rights Issue are based on 341,831,666 Rights Shares issued (based on 683,663,333 shares in issue on the Record Date) at a subscription price of HK$0.439 per Rights Share, after deduction of the expenses attributable to the Rights Issue of approximately HK$3,600,000.

3. The unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company represents the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2008 (Note 1) plus the estimated net proceeds from the Rights Issue (Note 2).

4. Based on the 1,025,494,999 Shares (calculated as 683,663,333 Shares in issue on the Record Date plus 341,831,666 Rights Shares expected to be issued under the Rights Issue as referred to Note 2 above) in issue after the Rights Issue.

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2008.

2. REPORT ON UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

TO THE DIRECTORS OF VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma statement of consolidated net tangible assets ("Unaudited Pro Forma Financial Information") of Victory City International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 80 and 81 of Appendix II to the prospectus dated 23 December 2008, in connection with the rights issue of 341,831,666 rights shares of HK$0.01 each in the Company at HK$0.439 per rights share payable in full on acceptance in the proportion of one rights share for every two existing shares held on 22 December 2008 (the "Right Issue"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Rights Issue might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 23 December 2008 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and notes to the Unaudited Pro Forma Financial Information included in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 March 2008 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 23 December 2008

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Prospectus have been arrived at after due and careful consideration and there are no other facts not contained in this Prospectus, the omission of which would make any statement in this Prospectus misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue (assuming 2,000,000 Outstanding Options are exercised on or before the Record Date) will be, as follows:

		HK$
Authorised share capital:		*'000*
40,000,000,000	Shares as at the Latest Practicable Date	400,000
Issued and fully paid share capital:		
683,663,333	Shares in issue as at the Latest Practicable Date	6,837
2,000,000	Shares to be issued upon exercise of 2,000,000 Outstanding Options on or before the Record Date	20
342,831,666	maximum number of Rights shares to be issued upon completion of the Rights Issue (assuming not more than 2,000,000 attaching to the Outstanding Options are exercised on or before the Record Date)	3,428
1,028,494,999		10,285

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

The Company had no outstanding convertible debt securities in issue as at the Latest Practicable Date.

Since the end of the last financial year of the Company, being 31 March 2008, the issued share capital of the Company has increased from 675,849,667 Shares to 683,663,333 Shares as at the Latest Practicable date, as the results of the scrip dividend scheme as disclosed in the announcement of the Company dated 28 August 2008 and the circular of the Company dated 12 September 2008 and the share buyback by the Company.

(b) Share options

Details of the Outstanding Options as at the Latest Practicable Date were as follows:

Name of grantee	Number of underlying shares subject to Outstanding Options	Date of grant	Exercise price *HK$ per share*	Exercise period
Directors				
Executive Directors				
Li Ming Hung	500,000	9 October 2003	3.04	9 October 2004 to 29 November 2011
	1,000,000	7 June 2004	3.15	7 June 2004 to 29 November 2011
Chen Tien Tui	500,000	9 October 2003	3.04	9 October 2004 to 29 November 2011
	1,000,000	7 June 2004	3.15	7 June 2004 to 29 November 2011
So Kam Wah	3,300,000	23 May 2003	2.35	27 May 2003 to 29 November 2011
	1,700,000	9 October 2003	3.04	9 October 2004 to 29 November 2011
	4,000,000	7 June 2004	3.15	7 June 2004 to 29 November 2011
Lee Yuen Chiu Andy	1,500,000	23 May 2003	2.35	27 May 2003 to 29 November 2011
	3,500,000	9 October 2003	3.04	9 October 2004 to 29 November 2011
	4,000,000	7 June 2004	3.15	7 June 2004 to 29 November 2011
Choi Lin Hung	1,500,000	23 May 2003	2.35	27 May 2003 to 29 November 2011
	3,500,000	9 October 2003	3.04	9 October 2004 to 29 November 2011
	4,000,000	7 June 2004	3.15	7 June 2004 to 29 November 2011
Independent non-executive Directors				
Kan Ka Hon	–	–	–	–
Phaisalakani Vichai	–	–	–	–
Kwok Sze Chi	–	–	–	–
Other employees	23,100,000	23 May 2003	2.35	27 May 2003 to 29 November 2011
	38,000,000	9 October 2003	3.04	9 October 2004 to 29 November 2011
	38,400,000	7 June 2004	3.15	7 June 2004 to 29 November 2011
	129,500,000			

Upon the Rights Issue becoming unconditional, the exercise price of and the number of Shares issuable upon exercise in full of the Outstanding Options will be adjusted with effect from the date on which the Rights Issue becomes unconditional as follows (assuming no Outstanding Options has been exercised or lapsed or granted or cancelled subsequent to the Latest Practicable Date and on or before the Record Date):

	Before completion of the Rights Issue		After completion of the Rights Issue	
Date of grant	**Original exercise price per Share** *(HK$)*	**Number of underlying Shares issuable upon exercise of the Outstanding Options**	**Exercise price per Share** *(HK$)* *(Note)*	**Number of underlying Shares issuable upon exercise of the Outstanding Options** *(Note)*
23 May 2003	2.35	29,400,000	2.20	31,354,840
9 October 2003	3.04	47,700,000	2.85	50,871,627
7 June 2004	3.15	52,400,000	2.95	55,884,133
		129,500,000		138,110,600

Note:

In cases where the adjusted number of Shares issuable upon exercise in full of the Outstanding Options by the holder involve fractions of Shares, the number of Shares has been adjusted upwards to whole numbers. In addition, the exercise price per Shares has been adjusted upwards to the nearest two decimal places.

Save as disclosed in this paragraph 2(b), the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

There is no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	**The Company/ name of associated corporation**	**Capacity**	**Interest in shares *(note 1)***	**Interest in underlying shares of share options *(note 1)***	**Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation**
Li Ming Hung	The Company	Founder of a trust	166,878,000 ordinary shares of HK$0.01 each of the Company ("Shares") (L) *(note 2)*	–	24.4%
	The Company	Beneficial owner	13,740,000 Shares (L) *(note 3)*	–	2.0%
	The Company	Beneficial owner	–	1,500,000 Shares (L) *(note 4)*	0.2%
	Victory City Company Limited *(note 17)*	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited *(note 17)*	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares *(note 1)*	Interest in underlying shares of share options *(note 1)*	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Chen Tien Tui	The Company	Founder of a trust	166,878,000 Shares (L) *(note 5)*	–	24.4%
	The Company	Beneficial owner	15,411,000 Shares (L) *(note 6)*	–	2.3%
	The Company	Beneficial owner	–	1,500,000 Shares (L) *(note 4)*	0.2%
	Victory City Company Limited *(note 17)*	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited *(note 17)*	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	3,320,000 Shares (L)	–	0.49%
	The Company	Beneficial owner	–	9,000,000 Shares (L) *(note 7)*	1.3%
	Victory City Overseas Limited *(note 17)*	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	Ford Glory Holdings Limited *(note 17)*	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) *(note 8)*	–	49%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares *(note 1)*	Interest in underlying shares of share options *(note 1)*	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
	CSG Apparel Inc. *(note 17)*	Interest of controlled corporation	One common stock of CAD1.00 (L) *(note 9)*	–	100%
	Ford Glory International Limited *(note 17)*	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) *(note 14)*	–	100%
	Glory Time Limited *(note 17)*	Interest of controlled corporation	70 ordinary shares of HK$1.00 each (L) *(note 15)*	–	70%
	Mayer Apparel Limited *(note 17)*	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) *(note 12)*	–	51%
	PT Victory Apparel Semarang *(note 17)*	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) *(note 11)*	–	100%
	Surefaith Limited *(note 17)*	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) *(note 14)*	–	100%
	Top Star Limited *(note 17)*	Interest of controlled corporation	2 ordinary shares of HK$1.00 each (L) *(note 14)*	–	100%
	Top Value Inc. *(note 17)*	Interest of controlled corporation	200 common shares of no par value (L) *(note 13)*	–	100%
	Value Plus (Macao Commercial Offshore) Limited *(note 17)*	Interest of controlled corporation	Quota capital of MOP100,000 (L) *(note 16)*	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares *(note 1)*	Interest in underlying shares of share options *(note 1)*	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
	Victory Apparel Jordan Manufacturing Ltd. *(note 17)*	Interest of controlled corporation	50,000 ordinary shares of JD$1.00 each (L) *(note 10)*	–	100%
	Wealth Choice Limited *(note 17)*	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) *(note 14)*		100%
	福之源貿易(上海)有限公司 (Ford Glory Trading (Shanghai) Limited) *(notes 17 & 19)*	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) *(note 9)*	–	100%
	Gojifashion Inc. *(note 18)*	Interest of controlled corporation	100 common shares of no par value (L) *(note 13)*	–	50%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,000,000 Shares (L) *(note 7)*	1.3%
So Kam Wah	The Company	Beneficial owner	–	9,000,000 Shares (L) *(note 7)*	1.3%
Phaisalakani Vichai	The Company	Beneficial owner	240,000 Shares (L)	–	0.04%

Notes:

1. The letter "L" represents the director's long position in the Shares and underlying Shares of the Company or its associated corporations.

2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family. These Shares include (i) 111,252,000 Shares held by Pearl Garden Pacific Limited and (ii) 55,626,000 Rights Shares which Pearl Garden Pacific Limited has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

3. These Shares include (i) 9,160,000 Shares held by Mr. Li Ming Hung and (ii) 4,580,000 Rights Shares which Mr. Li Ming Hung has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

4. On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tien Tui was granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK$3.04 per share during a period from 9 October 2004 to 29 November 2011.

   On 7 June 2004, each of Messrs. Li Ming Hung and Chen Tien Tui was granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares, exercisable at a price of HK$3.15 per Share during a period from 7 June 2004 to 29 November 2011.

5. These Shares were held by Madian Star Limited. Madian Star Limited is wholly-owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family. These Shares include (i) 111,252,000 Shares held by Madian Star Limited and (ii) 55,626,000 Rights Shares which Madian Star Limited has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

6. These Shares include (i) 10,274,000 Shares held by Mr. Chen Tien Tui and (ii) 5,137,000 Rights Shares which Mr. Chen Tien Tui has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

7. On 23 May 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 1,500,000 shares, 1,500,000 Shares and 3,300,000 Shares respectively, exercisable at a price of HK$2.35 per Share during a period from 27 May 2003 to 29 November 2011.

   On 9 October 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 3,500,000 Shares, 3,500,000 Shares and 1,700,000 Shares, respectively, exercisable at a price of HK$3.04 per Share during a period from 9 October 2004 to 29 November 2011.

   On 7 June 2004, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares, 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK$3.15 per Share during a period from 7 June 2004 to 29 November 2011.

8. These shares, representing 49% of the issued share capital of Ford Glory Holdings Limited, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi Lin Hung.

9. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

10. These shares were beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

11. These shares were beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

12. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.

13. These common shares were beneficially owned by Ford Glory Holdings Limited.

14. These shares were beneficially owned by Ford Glory Holdings Limited.

15. Glory Time Limited is 70% owned by Ford Glory Holdings Limited.

16. This quota capital was beneficially owned by Ford Glory Holdings Limited.

17. These companies are subsidiaries of the Company.

18. This company is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

19. Ford Glory Trading (Shanghai) Limited is the unofficial English translation of 福之源貿易(上海)有限公司.

Save as disclosed in this paragraph 3, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

(a) Interests in the Company

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholder	**Number of Shares** *(note 1)*	**Capacity**	**Approximate percentage of interest**
Pearl Garden Pacific Limited	166,878,000 (L) *(note 2)*	Beneficial owner	24.41%
Cornice Worldwide Limited	166,878,000 (L) *(note 2)*	Interest of controlled corporation	24.41%
Madian Star Limited	166,878,000 (L) *(note 3)*	Beneficial owner	24.41%
Yonice Limited	166,878,000 (L) *(note 3)*	Interest of controlled corporation	24.41%

Name of substantial Shareholder	Number of Shares *(note 1)*	Capacity	Approximate percentage of interest
Trustcorp Limited	333,756,000 (L) *(notes 2 & 3)*	Trustee *(note 4)*	48.82%
Newcorp Limited	333,756,000 (L) *(notes 2 & 3)*	Interest of controlled corporation *(note 4)*	48.82%
Newcorp Holdings Limited	333,756,000 (L) *(notes 2 & 3)*	Interest of controlled corporation *(note 4)*	48.82%
David Henry Christopher Hill	333,756,000 (L) *(notes 2 & 3)*	Interest of controlled corporation *(note 4)*	48.82%
David William Roberts	333,756,000 (L) *(notes 2 & 3)*	Interest of controlled corporation *(note 4)*	48.82%
Rebecca Ann Hill	333,756,000 (L) *(notes 2 & 3)*	Interest of spouse *(notes 4 & 5)*	48.82%
Ho Yuen Mui, Shirley	182,118,000 (L)	Interest of spouse *(note 6)*	26.64%
Or Kwai Ying	183,789,000 (L)	Interest of spouse *(note 7)*	26.88%
Templeton Asset Management Limited	88,212,381 (L)	Investment manager	12.90%
Morgan Stanley	45,923,500 (L) *(note 8)*	Interest of controlled corporation *(notes 9, 10, 11)*	6.72%
	23,582,500 (S) *(note 12)*	Interest of controlled corporation *(notes 9, & 10)*	3.45%
Sansar Capital Special Opportunity Master Fund, LP	65,169,000 (L) *(note 13)*	Beneficial owner	9.53%

Notes:

1. The letter "L" represents the person's long position in the Share and underlying Shares while the letter "S" represents the person's short position in the Shares and underlying Shares.

2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited. These Shares include (i) 111,252,000 Shares held by Pearl Garden Pacific Limited and (ii) 55,626,000 Rights Shares which Pearl Garden Pacific Limited has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly-owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Chen Tien Tui's family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited. These Shares include (i) 111,252,000 Shares held by Madian Star Limited and (ii) 55,626,000 Rights Shares which Madian Star Limited has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

4. Trustcorp Limited is wholly owned by Newcorp Limited which is in turn wholly owned by Newcorp Holdings Limited Newcorp Holdings Limited is owned as to 35% by David Henry Christopher Hill, as to 35% by David William Roberts and as to 30% by Michael J. Kenney-Herbert.

5. Rebecca Ann Hill is the wife of David Henry Christopher Hill.

6. Ho Yuen Mui, Shirley is the wife of Li Ming Hung.

7. Or Kwai Ying is the wife of Chen Tien Tui.

8. These Shares consist of: (i) 44,042,000 Shares held by Morgan Stanley & Co. International plc.; (ii) 1,241,500 Shares held by Morgan Stanley & Co, Inc. and (iii) 640,000 Shares held by Morgan Stanley Capital Services Inc..

9. Morgan Stanley & Co. International plc. is wholly owned by Morgan Stanley UK Group, which is wholly owned by Morgan Stanley Group (Europe). Morgan Stanley Group (Europe) is a non-wholly owned subsidiary of Morgan Stanley International Limited, which is wholly owned by Morgan Stanley International Incorporated. Morgan Stanley International Incorporated is owned by Morgan Stanley Domestic Holdings, Inc. as to 10% and Morgan Stanley as to 90%. Morgan Stanley Domestic Holdings, Inc. is wholly owned by Morgan Stanley Capital Management, L.L.C., which is wholly owned by Morgan Stanley.

10. Morgan Stanley & Co. Inc. is wholly owned by Morgan Stanley.

11. Morgan Stanley Capital Services Inc. is wholly owned by Morgan Stanley.

12. These Shares consist of (i) 22,341,000 Shares held by Morgan Stanley & Co. International plc. and (ii) 1,241,500 Shares held by Morgan Stanley & Co, Inc..

13. These Shares were held by Sansar Capital Special Opportunity Master Fund, LP. To the best knowledge of the Company, Sansar Capital Management, LLC was interested in such Shares as investment manager.

Save as disclosed above, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

None of the Directors was or will be given any compensation for loss of office or otherwise in connection with the Underwriting Agreement and/or the Rights Issue.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in any business which may compete with the business of the Group.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the Latest Practicable Date and are or may be material:

1. the corporate guarantee provided by the Company on 17 October 2007 for HK$50 million together with accrued interest in favour of Wing Hang Bank Limited ("**Wing Hang**") to secure the renewed and revised facilities to the extent of HK$50.4 million extended by Wing Hang to Ford Glory on 9 January 2007;

2. the unconditional 100% continuing guarantee executed by the Company on 17 October 2007 in favour of Bank of America, N.A. ("**BOA**") to secure the obligations of Ford Glory in respect of the facilities of up to US$20 million extended by BOA to Ford Glory on 13 March 2007;

3. the deed of guarantee and indemnity executed by the Company on 17 October 2007 for HK$50 million in favour of BNP Paribas, Hong Kong Branch ("**BNP**") to secure the facilities of up to HK$50 million placed by BNP at the disposal of Ford Glory on 11 April 2007;

4. the deed of guarantee executed by each of the Company and Victory City Overseas Limited on 17 October 2007, for HK$80 million in favour of Hang Seng Bank Limited ("**Hang Seng**") to secure the facilities of up to HK$130 million offered by Hang Seng to Ford Glory on 25 June 2007;

5. the unlimited deed of guarantee executed by each of the Company and Ford Glory on 17 October 2007 in favour of Hang Seng in respect of the facilities of up to HK$20 million offered by Hang Seng to Glory Time Limited ("**Glory Time**") on 25 June 2007 for all sums due owing and/or payable to Hang Seng by Glory Time together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment liable to be reimbursed or otherwise payable to Hang Seng;

6. the continuing corporate guarantee ("**BOC Guarantee**") given by the Company on 17 October 2007 in favour of Bank of China (Hong Kong) Limited ("**BOC**") in respect of the facilities of up to HK$40 million granted by BOC to Ford Glory on 26 July 2007 ("**BOC Facilities**") for HK$40 million together with accrued interest and all commissions, fees, costs, expenses, disbursements and payment payable to or recoverable by BOC under the BOC Facilities and the BOC Guarantee;

7. the agreement for sale and purchase of Flat A on 3rd Floor, 4th Floor, Units A and B on 5th Floor and the lavatory adjacent to unit B on 5th Floor, Flats A and B on 9th Floor and 10th Floor, Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong entered into by Elite Sound Investment Limited, a subsidiary of the Company as vendor and Billion Development & Project Management Limited ("**Billion**") as purchaser on 17 October 2007;

8. the agreement for sale and purchase of Flat B on 3rd Floor, Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong entered into by Ford Glory as vendor and Billion as purchaser on 17 October 2007;

9. the agreement for sale and purchase of 1st Floor (including flat roof), Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong entered into by Grace Link Enterprises Limited, a subsidiary of the Company as vendor and Billion as purchaser on 17 October 2007;

10. the agreement for sale and purchase of Units A, B and C on 2nd Floor and Flat B on 6th Floor, Lee Hang Industrial Building, 10 Cheung Yue Street, Kowloon, Hong Kong entered into by Top Star Limited, a subsidiary of the Company as vendor and Billion as purchaser on 17 October 2007; and

11. the Underwriting Agreement.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

9. EXPERT AND CONSENT

The following are the qualification of the expert whose statements have been included in this Prospectus:

Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letters or reports or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Deloitte Touche Tohmatsu did not have any direct or indirect interests in any assets which have been, since 31 March 2008 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the Latest Practicable Date; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

11. SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary and the qualified accountant of the Company is Mr. Lee Chung Shing who is an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in 1998 and has over 19 years experience in the accounting and finance sector including an international accounting firm and a company listed on the Stock Exchange.

12. CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Company secretary	Lee Chung Shing
Qualified accountant	Lee Chung Shing
Authorised representative	Li Ming Hung Chen Tien Tui
Legal advisers to the Company	Chiu & Partners 41st Floor, Jardine House 1 Connaught Place Central, Hong Kong
Auditors	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong
Principal Share Registrars	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM 08 Bermuda
Branch Share Registrars in Hong Kong	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 2/F., 673 Nathan Road HSBC Building Mongkok, Hong Kong

Hang Seng Bank Limited
20/F.,
83 Des Vouex Road Central
Hong Kong

Bank of America, N.A.
42/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Sumitomo Mitsui Banking Corporation
8/F., One International Finance Centre
1 Harbour View Street
Central, Hong Kong

United Overseas Bank Limited
25/F., Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Agricultural Bank of China
23/F., Tower I, Admiralty Centre
18 Harcourt Road, Hong Kong

CITIC Ka Wah Bank Limited
9/F., Tower I, Lippo Centre
89 Queensway, Hong Kong

Bank of China (Hong Kong) Limited
9/F., Bank of China Tower
1 Garden Road
Hong Kong

DBS Bank (Hong Kong) Limited
16/F., The Center
99 Queen's Road Central
Hong Kong

Scotiabank (Hong Kong) Limited
25/F., United Centre
95 Queensway, Hong Kong

Mizuho Corporate Bank, Ltd
17/F., Two Pacific Place
88 Queensway, Hong Kong

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
8/F., AIG Tower
1 Connaught Road
Central, Hong Kong

Rabobank International
10/F., York House, The Landmark
15 Queen's Road Central
Hong Kong

BNP Paribas
63/F., Two International Finance Centre
8 Finance Street
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
34/F., ICBC Tower
3 Garden Road
Hong Kong

Wing Hang Bank, Limited
441-443 King's Road
North Point, Hong Kong

13. EXPENSES

The expenses in connection with the Rights Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK$3.6 million and will be payable by the Company.

14. PARTICULARS OF THE DIRECTORS

(a) Name and address

Name	Address
Executive Directors:	
Li Ming Hung *(Chairman)*	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
Chen Tien Tui *(Chief Executive Officer)*	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
So Kam Wah	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
Lee Yuen Chiu, Andy	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
Choi Lin Hung	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong

Independent non-executive Directors:

Kan Ka Hon	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
Phaisalakani Vichai	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong
Kwok Sze Chi	Unit D, 3rd Floor Winfield Industrial Building 3 Kin Kwan Street Tuen Mun, New Territories Hong Kong

(b) Qualifications and positions held

Executive Directors

Mr. Li Ming Hung, aged 57, has been the Chairman of the Company since 1996 and a co-founder of the Group. He has over 31 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group.

Mr. Chen Tien Tui, aged 60, has been the Chief Executive Officer of the Company since 1996 and a co-founder of the Group. He has over 29 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group.

Mr. So Kam Wah, aged 48, has been an executive Director of the Company since 1996 and the head of manufacturing operation of Xinhui Victory City Co., Ltd.. He has over 25 years experience in the textile industry and is responsible for the overall manufacturing operation of the Xinhui factory. Mr. So joined the Group in 1983.

Mr. Lee Yuen Chiu, Andy, aged 43, has been an executive Director of the Company since 2001. He has over 22 years experience in the textile industry and is responsible for the overall management of the sales and production of the Group. Mr. Lee joined the Group in 1997.

Mr. Choi Lin Hung, aged 46, is an executive Director of the Company. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years banking experience and 6 years management experience in garment and textile industry.

Independent non-executive Directors

Mr. Kan Ka Hon, aged 57, graduated from The University of Hong Kong and is a qualified accountant. He is a non-executive director of Easyknit Enterprises Holdings Limited (formerly known as Asia Alliance Holdings Limited), and was an executive director of each of Chevalier International Holdings Limited and Chevalier Pacific Holdings Limited (formerly known as Chevalier i-Tech Holdings Limited), all of which are companies listed on the Stock Exchange. Mr. Kan has extensive experience in corporate finance, treasury and accounting and has over 28 years experience at management level in listed companies. He was appointed as an independent non-executive Director in 1996.

Mr. Phaisalakani Vichai (Andy Hung), aged 60, is the executive director and chief financial officer of Willas-Array Electronics (Holdings) Limited, a company listed on the Singapore Exchange. He graduated from Minnesota State University at Mankato, USA and is a chartered accountant in Canada. He has worked for an international accounting firm for 11 years and has extensive experience in finance and corporate management with major electronics and garments corporations. He was appointed as an independent non-executive Director in 1996.

Mr. Kwok Sze Chi, aged 53, currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers Limited and the vice chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators Limited. Having served the securities industry for over 30 years, Mr Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites. He was appointed as an independent non-executive Director in 2006.

Save as disclosed above, none of the Directors is holding or held directorship in other listed public companies in the last three years from the Latest Practicable Date.

The Directors' interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are disclosed under the paragraph headed "Disclosure of interests by Directors" in this appendix.

15. BINDING EFFECT

This Prospectus shall have the effect, if an application is made pursuant thereto, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

16. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of each of the Rights Issue Documents and the written consent of Deloitte Touche Tohmatsu as referred to in the paragraph headed "Expert and consent" in this appendix and other related documents have been delivered to the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

A copy of each of the Rights Issue Documents has been filed with the Registrar of Companies in Bermuda as required under Section 26 of the Companies Act 1981 of Bermuda.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, Hong Kong from the date of this Prospectus up to and including 9 January 2009, the last day for payment and acceptance of the Rights Shares:

(i) the Underwriting Agreement;

(ii) this Prospectus;

(iii) the memorandum of association and the bye-laws of the Company;

(iv) the letter signed by Deloitte Touche Tohmatsu setting out their opinion on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out on pages 82 to 83 of this Prospectus;

(v) the written consent referred to in the section headed "Expert and consent" in this appendix;

(vi) the material contracts referred to in the section headed "Material contracts" in this appendix;

(vii) the annual reports of the Company for each of the financial year ended 31 March 2007 and 2008;

(viii) a circular of the Company dated 14 November 2008 in relation to the continuing connected transactions between Nanjing Synergy Textiles Limited and Xinhui Victory City Co., Ltd. pursuant to the new master supply agreement dated 27 October 2008.