THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Tack Fat Group International Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

TACK FAT GROUP INTERNATIONAL LIMITED
德發集團國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 928)

MAJOR TRANSACTION

A notice convening an extraordinary general meeting of the Company to be held at 13th Floor, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Friday, 28 December 2007 at 4:00 p.m. is set out on pages 116 to 117 of this circular.

A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

10 December 2007

CONTENTS

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

"2004 Agreement"	the Sale and Purchase Agreement dated 26 July 2004 (as supplemented by six supplemental agreements) and entered into between Newest Global and Lung Investment in relation to the acquisition by the Group of 516,667 Preferred Shares with Option, further details of which are set out in the announcements of the Company dated 30 July 2004 and 25 September 2007 and the circular of the Company dated 18 March 2005
"Agreement"	the settlement agreement dated 13 October 2007 and entered into among Newest Global, the Company, Lung Investment, Mudd USA and Sino Legend in relation to the Redemption
"associates"	has the meaning ascribed to this term under the Listing Rules
"BMI"	BMI Appraisals Limited, an independent firm of qualified professional valuers
"Board"	the board of Directors
"Company"	Tack Fat Group International Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
"Compensation"	the amount of compensation with respect to the profit guarantee payable by Lung Investment pursuant to the terms of the 2004 Agreement
"Completion"	completion of the Redemption pursuant to the terms and conditions of the Agreement
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
"Grant Sherman"	Grant Sherman Appraisal Limited, an independent firm of qualified professional valuers
"Greater China"	the PRC, Hong Kong, Macau and Taiwan
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Iconix"	Iconix Brand Group, Inc., a Delaware corporation which shares are listed on NASDAQ in USA, an Independent Third Party
"Iconix Agreement"	an agreement entered into on 11 April 2006 between the Sino Legend Group and Iconix for the sale of the worldwide trademarks, licensing agreements and customer relationship, excluding the trademarks in Greater China, for a consideration of US$45,000,000 in cash plus 3,268,231 shares of Iconix common stock valued, pursuant to an appraisal at 11 April 2006, to equal US$48,871,900
"Independent Third Party(ies)"	independent third party(ies) not connected with the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates
"Joint Venture Rights"	the right of Mudd USA to negotiate in good faith to enter into commercially reasonable arrangement (i.e. joint venture) to exploit the Trade Marks in Asia (other than Greater China) and the Middle East providing for an equal sharing of costs and royalties with Iconix pursuant to the agreement entered into between Mudd USA and Iconix dated 31 March 2006
"Latest Practicable Date"	7 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"License Agreement"	certain license agreement between Mudd USA and JP Holdings LLC, a Delaware limited liability company which is wholly-owned by Iconix
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lung Investment"	Lung Investment Holding, LLC, an investment holding company incorporated in the State of Delaware, USA as a limited liability company

"Marks"	all names, corporate names, domain names, fictitious names, trademarks, trademark applications, trademark registrations, service marks, service mark applications, service mark registrations, trade names, brand names, product names, logos, trade dress, symbols, slogans or other designations owned or used by Mudd USA, in commerce or otherwise, in connection with the business conducted by Mudd USA and its operations, prospects and condition (financial and otherwise), solely as it relates to the marketing, licensing and/or managing the Mudd family of Marks and related names for use in connection with a wide variety of goods and services in Greater China (including use of the Mudd family of Marks and related names in connection with the manufacture and sale of women's and children's jeans wear)
"Mudd USA"	Mudd (USA) LLC, a company incorporated in the State of Delaware, USA as a limited liability company
"New Company"	a new company to be incorporated in the British Virgin Islands and owned by Sino Legend to acquire all the interest, rights and benefits in the Trade Marks in Greater China and the Joint Venture Rights before Completion
"Newest Global"	Newest Global Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
"NCN"	Messrs. NCN CPA Limited, Certified Public Accountants, the auditors of the Company
"Option"	the option granted by Lung Investment to Newest Global under the 2004 Agreement to acquire a further 250,000 Preferred Shares
"PRC"	People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau, and Taiwan
"Preferred Shares"	class A preferred shares of US$0.01 each in the share capital of Sino Legend
"Redemption"	the redemption by Sino Legend of all the Preferred Shares held by Newest Global pursuant to the terms and conditions of the Agreement
"Sale Shares"	the entire issued share capital of the New Company upon Completion

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sino Legend"	Sino Legend Limited, a company incorporated in the British Virgin Islands with limited liability
"Sino Legend 2007 Accounts"	the audited financial statements of Sino Legend for the year ended 31 March 2007
"Sino Legend Group"	Sino Legend and its subsidiaries including Mudd USA
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trade Marks"	the exclusive rights (including ownership, propriety, licensing or other rights) of the Mudd family of Marks
"USA" or "US"	the United States of America
"US GAAP"	the generally accepted accounting principles of US
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the USA
"%"	per cent.

TACK FAT GROUP INTERNATIONAL LIMITED
德發集團國際有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 928)

Executive Directors:
Mr. Kwok Wing *(Chairman)*
Mr. Ho Yik Kin, Norman
Mr. Kwok Kam Chuen
Ms. Kwok Choi Ha

Non-executive Directors:
Mr. Szeto Chak Wah, Michael
Mr. Lai Man Leung

Independent non-executive Directors:
Mr. Leung Yiu Wing, Eric
Mr. Ching Kwok Ho, Samuel
Mr. Chow Kai Leung, Sandy

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of of business in Hong Kong:
13th Floor
Roxy Industrial Centre
58-66 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

10 December 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

On 23 October 2007, the Company announced that on 13 October 2007, the Group entered into the Agreement with Lung Investment, Sino Legend and Mudd USA pursuant to which all the Preferred Shares held by the Group shall be redeemed by Sino Legend. The consideration for the Redemption shall be satisfied by the payment of US$16,000,000 (equivalent to HK$124,800,000) in cash and the transfer of the Sale Shares to the Group.

Each of the Redemption and the transfer of Sale Shares constitutes a major transaction on the part of the Company and is therefore subject to the disclosure and Shareholders' approval requirements under the Listing Rules. No Shareholder is required to abstain from voting at the EGM.

The purpose of this circular is to provide you with, among other things, details of (i) the Agreement; (ii) the notice of the EGM; and (iii) other information required under the Listing Rules.

THE AGREEMENT

Date: 13 October 2007

Parties:

(i) Newest Global;

(ii) the Company;

(iii) Lung Investment;

(iv) Mudd USA; and

(v) Sino Legend

Save and except that (i) Newest Global is the owner of 600,000 Preferred Shares and (ii) Mr. Kwok Wing, the Chairman of the Board, is a director of Sino Legend and Mudd USA, each of Lung Investment, Mudd USA and Sino Legend and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be surrendered for Redemption

Subject to the terms and conditions of the Agreement, 600,000 Preferred Shares, representing 50% of the voting rights in the general meeting of Sino Legend held by Newest Global, shall be redeemed by Sino Legend upon Completion.

Consideration for the Redemption

The consideration for the Redemption shall be satisfied by Sino Legend in the following manner:

1. US$13,000,000 (equivalent to HK$101,400,000) shall be paid in cash by 17 October 2007 as deposit (US$12 million was received on 16 October 2007 and US$1 million was received on 17 October 2007);

2. US$3,000,000 (equivalent to HK$23,400,000) shall be paid in cash on or before Completion; and

3. Sino Legend shall procure the transfer of the Sale Shares to Newest Global or its nominee upon Completion.

Upon Completion, the Group shall own 100% of the entire issued share capital of New Company which shall hold:

(a) 100% of the Trade Marks in Greater China; and

(b) the Joint Venture Rights; and

will be the sole owner of the PRC Retail JV (as defined hereunder).

The terms with respect to the Redemption have been negotiated on an arm's length basis and on normal commercial terms taking into accounts the following:

(a) the book value of the 600,000 Preferred Shares in Sino Legend of approximately HK$546 million as at 31 March 2007;

(b) the consideration of approximately US$93.8 million (or approximately HK$732 million) received by the Sino Legend Group on disposition of Mudd family of Marks worldwide (excluding Greater China) in year 2006;

(c) full refund of US$10 million paid by the Group in respect of the Option;

(d) the growth of the PRC market; and

(e) the performance of the "Mudd" retail operations in the PRC in the past year and its future profit potential.

Taking into account the above factors and the reasons for the Redemption as discussed below, the Directors (including the independent non-executive Directors) consider that the value of the Trade Marks in Greater China of approximately HK$499.7 million (please see the accounting treatment below for determination of the said value) and the terms of the Redemption and the Agreement to be fair and reasonable and entering into the Agreement is in the interests of the Company and its Shareholders.

Conditions Precedent to the Completion

The Agreement is conditional upon:

1. the Group being satisfied at its sole and absolute discretion with the results of the due diligence review to be conducted on the Sino Legend Group and the New Company;

2. the Shareholders passing an ordinary resolution at the EGM approving the Agreement and the transactions contemplated thereunder;

3. the New Company having acquired the legal and beneficial ownership of the Trade Marks in Greater China;

4. the Joint Venture Rights having been transferred to the New Company with the consent of Iconix;

5. the warranties given by Sino Legend, Mudd USA and Lung Investment under the Agreement remaining true and accurate in all respects;

6. all necessary approvals, consents, authorisations and licences in relation to the transactions contemplated under the Agreement having been obtained including but not limited to the consent from the lenders of a syndicated loan for the amount of HK$480 million advanced in February 2006 to a member of the Group, which said syndicated loan is guaranteed by the Company;

7. the Group having received a US legal opinion in form and substance satisfactory to the Group in relation to the transactions contemplated under the Agreement; and

8. the deposit of US$13,000,000 having been received by the Group on or before 17 October 2007.

Up to the Latest Practicable Date, only condition (8) above has been satisfied. If the above conditions have not been satisfied (or waived by the Group if applicable) at or before 5:00 p.m. on 31 January 2008 or such later time and date as the Group may agree, the Agreement shall cease and determine in which event the deposit paid by Sino Legend shall be refunded without interest and neither party shall have any obligations and liabilities under the Agreement save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place 10 business days after the conditions set out above have been fulfilled or waived.

ACCOUNTING TREATMENT AND USE OF THE CASH RECEIVED FROM THE REDEMPTION

Subject to review by the auditors of the Company, the following entries will be made to the accounts of the Group as a result of the Redemption:

1. HK$78 million or US$10 million as refund of the premium paid in respect of the Option;

2. HK$546.5 million as the total proceeds for the redemption of all the Preferred Shares held by Newest Global, resulting in no gain or loss as a result of the Redemption, to be satisfied by the following:

   (a) HK$46.8 million or US$6 million, being cash received;

   (b) HK$499.7 million as the value of the Mudd family of Marks in Greater China (note); and

   (c) Nil as the value of the Joint Venture Rights.

Note: Two independent valuation reports of the value of the Trade-Marks in Greater China prepared by Grant Sherman and BMI are set out in Appendices II and III of this circular. The Trade Marks in Greater China will be carried at the valued amount of HK$651 million which is the average of the two valued amounts of HK$642.1 million and US$84.7 million (equivalent to HK$660.7 million) and accordingly, there will be a negative goodwill of approximately HK$151 million arising from the valuation of the said trade marks.

It is the current intention of the Company to apply half of the US$16,000,000 (equivalent to HK$124,800,000), which is US$8 million (equivalent to HK$62.4 million), received from the Redemption for the repayment of existing loans and the other half, which is also US$8 million (equivalent to HK$62.4 million) as general working capital for the Group.

Pursuant to the terms of the Agreement, Lung Investment shall be released and discharged absolutely free from all and any claims, demands, liabilities, obligations, covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever or otherwise arising out of or in connection with its profit guarantee under the 2004 Agreement. Based on the Sino Legend 2007 Accounts, the Group estimated that the Compensation shall be approximately US$26.6 million (or about HK$207 million). Reference is made to the paragraph headed "Reasons for the Redemption" below for further discussions with respect to the Compensation. Under the Agreement, the Group shall waive its right in claiming the Compensation. Subject to review by the auditors of the Company, the Compensation will be recorded as an income and the waiver of claiming the Compensation will be recorded as a loss, and accordingly, there will be no net profit or loss effect to the consolidated financial statements of the Group for the year ending 31 March 2008.

INFORMATION ON THE SINO LEGEND GROUP

Sino Legend is an investment holding company incorporated in the British Virgin Islands with limited liability on 8 January, 2004. Since the completion of the 2004 Agreement up to the Latest Practicable Date, the Group is the beneficial owner of 600,000 Preferred Shares and is entitled to exercise 50% voting rights at general meetings of Sino Legend. The principal asset of Sino Legend is its indirect holding of the majority stakes (about 72%) in Mudd USA. Based on the Sino Legend 2007 Accounts, Mudd USA is a manufacturer and importer of women's jeans whose principal customers are retail chains and department stores located throughout the US and Canada.

As stated in the Sino Legend 2007 Accounts, on 11 April 2006, the Sino Legend Group sold all of "Mudd" brand worldwide trademarks, licensing agreements and customer relationships, excluding all trademarks in Greater China, under an asset purchase agreement to Iconix payable in cash of US$45,000,000 and 3,268,231 shares of Iconix common stock valued, pursuant to an appraisal at

11 April 2006, to equal US$48,871,900 (totalling about US$93.9 million) and a gain on the sale of trademarks and customer relationships of US$23,485,095 was recorded in the Sino Legend 2007 Accounts. According to the Sino Legend 2007 Accounts, about 2.1 million shares of Iconix common stock were sold for a net proceeds of about US$36 million, resulting in a gain on the sale of marketable securities of about US$8.9 million.

Upon completion of the Iconix Agreement, Mudd USA retained the rights to the Mudd family of Marks and related names in Greater China. Pursuant to the Iconix Agreement, Mudd USA and Iconix agreed to negotiate in good faith to enter into commercially reasonable arrangements for the exploitation of the Marks in Asia (outside of Greater China) and the Middle East (the "Exploitation Territory") providing for an equal sharing of costs and royalties (the "JV Arrangements"). As part of the JV Arrangements, Mudd USA and Iconix agreed to take all reasonable steps necessary to implement and maintain product identification and inventory control systems to monitor Mudd USA's manufacture, distribution, offer for sale and sale of merchandise in accordance with and subject to the terms and conditions of the License Agreement. Mudd USA, or one of its affilates, is free to enter into supply agreements, supply chain management agreements, turnkey retail agreement or other arrangements with licensees in the Exploitation Territory. To the best understanding of the Directors, the terms (which shall include the period of the JV Arrangements) with respect to the JV Arrangements have not yet been finalised as at the Latest Practicable Date. As part of the terms of the Agreement, the rights with respect to the JV Arrangements will be transferred to the New Company with the consent of Iconix. Upon Completion, the Company will have the ownership of the entire issued share capital of the New Company and the Company will endeavour to finalise the terms of the JV Arrangements with Iconix to the best interests of the Company and its Shareholders.

Upon Completion, the New Company will own (a) 100% of the Mudd family of Marks in Greater China (which shall be an absolute and permanent assignment); and (b) the Joint Venture Rights, and to the best understanding of the Directors, Mudd USA will no longer have any rights to the Mudd family of Marks and related names or other trade marks.

Sino Legend is treated as an associated company in the books and accounts of the Company. The following was stated in the annual report of the Company for the year ended 31 March 2007 in relation to Sino Legend:

1. interests in associates of about HK$546 million, comprising share of net assets of Sino Legend of about HK$285 million and goodwill of about HK$261 million; and

2. other financial asset of HK$78 million, which represent the premium of US$10 million paid to Lung Investment with respect to the Option.

Save for certain trade receivables due from Mudd USA which amounted to approximately HK$181 million as at 30 September 2007, the Group does not have any loan to or/and from the Sino Legend Group and guarantee for the Sino Legend Group.

The following information is extracted from the audited financial statements of Sino Legend for the year ended 31 March 2007, as prepared under US GAAP:

	Year ended 31 March 2007		
		Equivalent	The Group's share (i.e 50%)
	US$'000	*HK$'000*	*HK$'000*
Gross sales	128,534	1,002,565	501,283
Income before gain on sales of assets, taxes and minority interest	17,738	138,356	69,178
Gain on sale of trademarks and customer relations	23,485	183,183	91,592
Gain on sale of marketable securities	8,929	69,646	34,823
Income before taxes and minority interest	50,152	391,186	195,593
Income before minority interest	36,565	285,207	142,604
Income after taxes and minority interest	29,252	228,166	114,083
Total assets as at 31 March 2007	119,686	933,551	466,776
Total liabilities as at 31 March 2007	34,175	266,565	133,283
Net assets (after net of minority interest of about US$70 million) as at 31 March 2007	69,927	545,431	272,716

The following information is extracted from the audited financial statements of Sino Legend for the year ended 31 March 2006, as prepared under US GAAP:

	Year ended 31 March 2006		
		Equivalent	The Group's share (i.e 50%)
	US$'000	*HK$'000*	*HK$'000*
Gross sales	79,661	621,356	310,678
Loss before taxes and minority interest	(10,378)	(80,948)	(40,474)
Loss before minority interest	(10,166)	(79,295)	(39,648)
Loss after taxes and minority interest	(7,599)	(59,272)	(29,636)
Total assets as at 31 March 2006	98,653	769,493	384,747
Total liabilities as at 31 March 2006	52,936	412,901	206,451
Net assets (after net of minority interest of about US$11 million) as at 31 March 2006	34,446	268,679	134,340

SHAREHOLDING OF SINO LEGEND GROUP BEFORE AND AFTER COMPLETION

As at the Latest Practicable Date and before Completion, the Group, through Newest Global, holds 600,000 Preferred Shares, which entitle the Group to exercise 50% voting rights at general meetings of Sino Legend, and Lung Investment and Grandwell Investment Limited (each of which and their respective ultimate beneficial owners are Independent Third Parties) are entitled to exercise about 47% and 3% voting rights at general meetings of Sino Legend respectively. Sino Legend holds about 72% shareholding interest of Mudd USA. To the best understanding of the Directors, the remaining shareholding interest of Mudd USA, which is about 28%, is held by 9 parties, all of which and their respective ultimate beneficial owners are Independent Third Parties.

Prior to Completion, the New Company will be incorporated and Mudd USA will transfer its entire interest, rights and benefits in the Trade Marks in Greater China and the Joint Venture Rights to the New Company.

Upon Completion, (a) the Group will no longer hold any equity interest in the Sino Legend Group and Sino Legend will cease to be an associated company of the Group; and (b) the Group will hold 100% of the issued share capital of the New Company, which will become a subsidiary of the Company.

REASONS FOR THE REDEMPTION

The Group is principally engaged in the design and manufacture of jeans, pants, shorts, swimming apparel and sportswear for men, women and children.

Reference is made to the profit guarantee given by Lung Investment in the 2004 Agreement pursuant to which Lung Investment has guaranteed that the aggregate audited consolidated/combined net profits before tax, charges for goodwill, minority interest and any extraordinary or exceptional items of the Sino Legend Group (the "Audited Profits") for the period commencing from 21 May 2004 up to and including 31 March 2007 (the "Guaranteed Period") will not be less than US$108 million. According to the financial information available to the Group, the actual net profits before tax of Sino Legend Group for the Guaranteed Period are less than US$108 million as guaranteed. Since mid-September 2007, negotiations have been actively taken place between the Group and Lung Investment as to the terms of settlement. As stated in the Company's announcement of 27 August 2007, based on the financial information available to the Group, the Group estimated that Lung Investment would be required to pay to the Group approximately US$12.8 million (or approximately HK$99.8 million) as Compensation. Nevertheless, the above amount is based on the Audited Profits which has included the gain on the sale of trademarks and customer relationships of about US$23.5 million and the gain on the sale of marketable securities of about US$8.9 million. The Directors consider that these two said amounts, which totaled approximately US$32.4 million, should be regarded as extraordinary or exceptional items. If these two items are excluded, the Compensation should amount to approximately US$26.6 million.

In or about early 2006, the Company reached an informal understanding with Mudd USA to the effect that the parties shall enter into a joint venture to set up stores in PRC to sell goods with the Trade Marks and to engage in franchising these stores (the "PRC Retail JV"). It is the understanding of the parties that the Group should own 70% of the PRC Retail JV with Mudd USA owning the remaining 30%, but no written agreement has ever been signed by the parties. In the events which happened, the Group has never paid any royalties to Mudd USA for the use of the Trade Marks in the PRC Retail JV and Mudd USA has never contributed any working capital to the PRC Retail JV. Discussions have been taking place between the Group and Mudd USA to formalise the arrangement. As stated in the annual report of the Company for the year ended 31 March 2007, the performance of “Mudd” retail operation in the first year was well above the Group’s expectations and the Group recorded revenue of about HK$89 million from the “Mudd” retailing business.

In order to avoid any disputes between the Group and Lung Investment in respect of the Compensation on the one hand, and between the Group and Mudd USA in respect of the PRC Retail JV on the other, it is the intention of all parties involved to enter into the Agreement to resolve all outstanding issues. Accordingly, subject to Completion and the full performance of the terms of the Agreement by the relevant parties,

(a) Lung Investment shall be released and discharged absolutely from all and any claims, demands, liabilities, obligations, covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever or otherwise arising out of or in connection with its profit guarantee under the 2004 Agreement;

(b) the Group shall be released and discharged absolutely from all and any claims, demands, liabilities, obligations, covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever and howsoever whether or not arising out of or in connection with the use of the Trade Marks in the PRC Retail JV or otherwise;

(c) Mudd USA shall be released and discharged absolutely from all and any claims demands liabilities obligations covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever or otherwise arising out of or in connection with any obligation under the PRC Retail JV; and

(d) Mudd USA shall forever waive, abandon and relinquish all its interest, rights and claims to or in the PRC Retail JV to the intent and purpose that thereafter the Group shall be the sole owner of the PRC Retail JV.

To protect the interest of the Group in respect of the exercise of the Option, Lung Investment and the Group agree that the expiry date for exercise of the Option shall be extended from 15 October 2007 to 14 February 2008 provided that if all the conditions precedent set out in the Agreement have been fulfilled, the Option shall immediately cease to be exercisable.

Upon Completion, the Group will receive US$16,000,000 (equivalent to HK$124,800,000) in cash (US$10 million being a refund of the amount paid by the Group in respect of the Option) and become the beneficial owner of the New Company which will own the Trade Marks in Greater China and the Joint Venture Rights. The Board considers that the Trade Marks in Greater China and the Joint Venture Rights are valuable to the future development of the Group. As mentioned in the annual report of the Company for 2007, the performance of "Mudd" retail operations in the past was well above the Group's expectation and it is expected that it will provide an important growth driver for the Group. It is expected that with the Joint Venture Rights, the Group's successful experience from the "Mudd" retail outlets in the PRC can be applied to other Asian countries (other than Greater China) and the Middle East.

GENERAL

Each of the Redemption and the transfer of Sale Shares constitutes a major transaction on the part of the Company and is therefore subject to the disclosure and Shareholders' approval requirements under the Listing Rules.

An ordinary resolution will be proposed at the EGM of the Company to approve the Agreement and the transactions contemplated thereunder. No Shareholder is required to abstain from voting at the EGM for the resolutions.

EGM

A notice convening the EGM to be held at 13th Floor, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Friday, 28 December 2007, at 4:00 p.m. is set out on pages 116 to 117.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

According to Article 66 of the Articles of Association of the Company, a resolution put to the vote of any general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least three Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five (5) per cent or more of the total voting rights at that meeting, and if on a show of hands in respect of any resolution, the meeting votes in the opposite manner to that instructed in those proxies.

RECOMMENDATION

The Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the financial and general information as set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Tack Fat Group International Limited
Kwok Wing
Chairman

I. SUMMARY OF THE FINANCIAL STATEMENTS OF THE GROUP

(A) The following is a summary of the audited consolidated results of the Group for the three years ended 31 March 2007 extracted from the published audited financial statements of the Group.

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,942,545	1,655,166	1,528,999
Cost of Sales	(1,415,714)	(1,216,748)	(1,164,199)
Gross Profit	526,831	438,417	364,800
Other revenue	9,167	7,728	9,187
Other net loss	(840)	(704)	378
Distribution costs	(208,440)	(137,855)	(137,910)
Administrative expenses	(47,634)	(45,240)	(42,252)
Profit from operations	279,084	262,346	194,194
Finance costs	(65,839)	(63,189)	(26,583)
Share of profits less losses of associates	114,084	(35,752)	–
Profit before taxation	327,329	163,405	167,611
Income tax	(12,690)	(30,779)	(12,072)
Profit attributable to equity shareholders of the Company	314,639	132,626	155,539
Dividends payable to equity shareholders of the Company attributable to the year			
Interim dividend declared and paid during the year	21,303	18,200	18,134
Final dividend proposed after the balance sheet date	42,267	31,569	30,333
	63,570	49,769	48,467
Earnings per share			
Basic	17.64 cents	8.74 cents	10.71 cents
Diluted	16.07 cents	8.21 cents	9.81 cents
Non-current assets			
Fixed assets			
– Other property, plant and equipment	363,869	293,346	260,013
– Interests in leasehold land held for own use under operating leases	102,410	86,439	88,339
	446,279	379,785	348,352
Interest in associates	546,279	432,413	–
Other financial assets	94,100	94,100	42,100
	1,106,876	906,298	392,195

(B) the following is a summary of the audit of consolidated assets and liabilities of the Group as at 31 March 2005, 31 March 2006 and 31 March 2007 extracted from the published audited financial statements of the Group.

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Inventories	313,670	248,069	214,401
Trade and other receivables	833,108	570,859	814,566
Cash and cash equivalents	340,355	176,686	284,852
	1,487,113	995,614	1,313, 818
Current liabilities			
Trade and other payable	108,099	82,473	72,551
Bank loans and overdrafts	287,188	230,954	369,710
Obligations under finance leases	6,914	10,989	17,701
Current tax payable	34,227	33,844	4,348
	436,428	358,260	464,310
Net current assets	1,050,685	637,354	849,508
Total assets less current liabilities	2,157,561	1,543,652	1,241,703
Non-current liabilities			
Bank loans	384,000	475,384	268,000
Convertible bonds	157,720	187,776	234,000
Obligations under finance leases	37,932	37,736	40,895
Provision for long service payments	1,800	1,800	1,800
Deferred tax liabilities	237	2,756	9,333
	581,689	705,452	554,028
NET ASSETS	1,575,872	838,200	687,675
CAPITAL AND RESERVES			
Share capital	200,000	151,666	151,666
Reserves	1,375,872	686,534	536,009
TOTAL EQUITY	1,575,872	838,200	687,675

(C) The following is the report of KPMG and the financial information of the Company for the year ended 31 March 2007 as extracted from the annual report of the Company for the year ended 31 March 2007 ("2007 Annual Report"). The page references in this report are the same as those in the 2007 Annual Report.

KPMG

Independent auditor's report to the shareholders of
Tack Fat Group International Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tack Fat Group International Limited (the "company") set out on pages 32 to 101, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

As at 31 March 2007, the group's interests in associates included share of net assets of Sino Legend Limited ("Sino Legend") of HK$285,418,000 and the group's profit for the year was arrived at after share of Sino Legend's profit of HK$114,084,000 for the year then ended. These amounts were derived from the audited financial statements of Sino Legend for the year ended 31 March 2007, which were prepared under accounting principles generally accepted in the United States of America. In addition, the group's interests in associates included goodwill of HK$261,079,000 which arose on the acquisition of the group's interest in Sino Legend and a premium of HK$78,000,000 paid for an option to acquire an additional 20.8% equity interest in Sino Legend was included in other financial assets.

The financial statements of Sino Legend referred to above were audited by an audit firm which is unrelated to the network of member firms affiliated with KPMG International. This firm issued an unqualified report dated 24 July 2007 on these financial statements. However, we have yet to receive sufficient information from this firm as we consider necessary in order to enable us to form a conclusion as to the adequacy of their work for our purposes or to carry out sufficient alternative procedures. Hence, we have been unable to satisfy ourselves as to whether:

1. the group's interests in Sino Legend as at 31 March 2007, the group's share of profit for the year then ended and the option premium included in other financial assets were fairly stated under Hong Kong Financial Reporting Standards; and

2. the summary financial information of Sino Legend as disclosed in note 15 to the financial statements was fairly stated under Hong Kong Financial Reporting Standards.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of any adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters referred to above, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2007 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

1 August 2007

CONSOLIDATED INCOME STATEMENT
for the year 31 March 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Turnover	3	1,942,545	1,655,166
Cost of sales		(1,415,714)	(1,216,749)
Gross profit		526,831	438,417
Other revenue	4	9,167	7,728
Other net loss	4	(840)	(704)
Distribution costs		(208,440)	(137,855)
Administrative expenses		(47,634)	(45,240)
Profit from operations		279,084	262,346
Finance costs	5(a)	(65,839)	(63,189)
Share of profits less losses of associates	15	114,084	(35,752)
Profit before taxation	5	327,329	163,405
Income tax	6(a)	(12,690)	(30,779)
Profit attributable to equity shareholders of the Company	9	314,639	132,626
Dividends payable to equity shareholders of the Company attributable to the year	10		
Interim dividend declared and paid during the year		21,303	18,200
Final dividend proposed after the balance sheet date		42,267	31,569
		63,570	49,769
Earnings per share			
Basic	11(a)	17.64 cents	8.74 cents
Diluted	11(b)	16.07 cents	8.21 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2007

(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Fixed assets			
– Other property, plant and equipment	*13*	363,869	293,346
– Interests in leasehold land held for own use under operating leases		102,410	86,439
		466,279	379,785
Interest in associates	*15*	546,497	432,413
Other financial assets	*16*	94,100	94,100
		1,106,876	906,298
Current assets			
Inventories	*17*	313,670	248,069
Trade and other receivables	*18*	833,108	570,859
Cash and cash equivalents	*20*	340,335	176,686
		1,487,113	995,614
Current liabilities			
Trade and other payables	*21*	108,099	82,473
Bank loans and overdrafts	*22*	287,188	230,954
Obligations under finance leases	*24*	6,914	10,989
Current tax payable	*28(a)*	34,227	33,844
		436,428	358,260
Net current assets		1,050,685	637,354
Total assets less current liabilities		2,157,561	1,543,652

	Note	2007 $'000	2006 $'000
Non-current liabilities			
Bank loans	22	384,000	475,384
Convertible bonds	23	157,720	187,776
Obligations under finance leases	24	37,932	37,736
Provision for long service payments	25	1,800	1,800
Deferred tax liabilities	28(b)	237	2,756
		581,689	705,452
NET ASSETS		1,575,872	838,200
CAPITAL AND RESERVES			
Share capital	29(a)	200,000	151,666
Reserves	29(a)	1,375,872	686,534
TOTAL EQUITY		1,575,872	838,200

BALANCE SHEET

At 31 March 2007

(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Investments in subsidiaries	14	228,300	228,300
Amount due from subsidiaries	19	736,405	–
		964,705	228,300
Current assets			
Amounts due from subsidiaries	19	184,101	453,333
Current tax recoverable		162	–
Cash and cash equivalents	20	132	88
		184,395	453,421
Current liabilities			
Trade and other payables	21	13,833	110
Net current assets		170,562	453,311
Total assets less current liabilities		1,135,267	681,611
Non-current liabilities			
Convertible bonds	23	157,720	187,776
NET ASSETS		977,547	493,835
CAPITAL AND RESERVES			
Share capital	29(b)	200,000	151,666
Reserves	29(b)	777,547	342,169
TOTAL EQUITY		977,547	493,835

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007
(Expressed in Hong Kong dollars)

		2007		2006	
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Total equity at 1 April			838,200		745,915
Net income recognised directly in equity:					
Exchange differences on translation of financial statements of overseas subsidiaries	*29*	5,389		2,522	
Net profit for the year	*29*	314,639		132,626	
Total recognised income and expense for the year			320,028		135,148
Dividends declared or approved during the year	*10*		(53,154)		(48,533)
Movements in equity arising from capital transactions	*29*				
Shares issued under share option scheme		26,640		–	
Shares issued on conversion of convertible bonds		40,920		–	
Placement of new shares, net of issue expenses		403,238		–	
Equity settled share-based transactions		–		5,670	
			470,798		5,670
Total equity at 31 March			1,575,872		838,200

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Operating activities			
Profit before taxation		327,329	163,405
Adjustments for:			
– Depreciation		52,934	42,422
– Amortisation of land lease premium	5(c)	2,377	2,010
– Amortisation of other borrowing costs	5(a)	3,434	1,280
– Interest income	4	(7,228)	(6,708)
– Interest expenses	5(a)	55,772	55,143
– Finance charges on obligations under finance leases	5(a)	678	1,240
– Equity-settled share-based payment expenses		–	5,670
– Share of profits less losses of associates	15	(114,084)	35,752
– Foreign exchange loss		4,275	1,661
Operating profit before changes in working capital		325,487	301,875
Increase in inventories		(65,601)	(33,668)
Decrease/(increase) in trade and other receivables		124,704	(236,534)
Increase in trade and other payables		12,050	10,479
Cash generated from operations		396,640	42,152
Tax paid			
– Hong Kong profits tax paid		(14,803)	(5,054)
– Overseas tax paid		(46)	(1,001)
Net cash generated from operating activities		381,791	36,097
Investing activities			
Payment for purchase of fixed assets		(132,565)	(74,255)
Payment for purchase of associates		–	(1,897)
Payment of refundable acquisition deposit	18(b)	(281,800)	–
Interest received		7,228	6,708
Net cash used in investing activities		(407,137)	(69,444)

	Note	2007 $'000	2006 $'000
Financing activities			
Capital element of finance lease rentals paid		(12,012)	(20,334)
Net decrease in trust receipt loans, export loans and bill discounting loans		(143,556)	(16,950)
Proceeds from new term loans		6,655	530,228
Repayment of term loans		(9,442)	(468,714)
Finance charges on obligations under finance leases		(678)	(1,240)
Interest paid		(45,850)	(44,656)
Proceeds from shares issued under share option scheme		26,640	–
Issue of shares for cash consideration		403,238	–
Receipt in advance for issue of shares		13,576	–
Dividends paid to equity shareholders of the company		(53,154)	(48,533)
Net cash generated from/ (used in) financing activities		185,417	(70,199)
Net increase/(decrease) in cash and cash equivalents		160,071	(103,546)
Cash and cash equivalents at 1 April		175,869	279,415
Cash and cash equivalents at 31 March	*20*	335,940	175,869

Significant non-cash transactions:

During the year the group purchased fixed assets with value totalling $8,132,000 (2006: $10,463,000) under finance leases.

During the year, convertible bonds totalling $54,570,000 (2006: $Nil) were converted into ordinary shares of the company (note 23).

During the year the group recorded accrued interest of $10,487,000 (2006: $11,438,000) in respect of convertible bonds, which is payable where redemption of the convertible bonds takes place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 2 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 March 2007 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that Financial Instruments are stated at their fair value as explained in the accounting policy set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

(c) Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transaction and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

(d) Associates

An associate is an entity in which the group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the group's share of the associate's net assets. The consolidated income statement includes the group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (note 1(i)).

When the group's share of losses exceeds its interest in the associate, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the group's interest in the associate is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they recognised immediately in profit or loss.

(e) Other Investments in Securities

The group's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Investments in securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (note 1(i)).

(ii) Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(f) Goodwill

Goodwill represents the excess of the cost of an investment in an associate over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(i)). In respect of an associate, the carrying amount of goodwill is included in the interest in the associate.

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in an associate is recognised immediately in profit or loss.

On disposal of an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other Property, Plant and Equipment

(i) The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)):

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(h));

– buildings held for own use which are situated on the leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)); and

– other items of property, plant and equipment.

(ii) Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight line method over their estimated useful lives as follows:

Buildings	30 to 50 years
Plant and machinery	5 years
Furniture, fixtures and office equipment	5 years
Leasehold improvements	Shorter of lease term and 5 years
Motor vehicles and yacht	4 years

(iv) Where parts of an items of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(v) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of Assets Leased to the group

Assets that are held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the exception that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee.

(ii) Assets Acquired under Finance Leases

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating Lease Charges

Where the group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of Assets

(i) Impairment of Investments in Securities and Other Receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost or amortised cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of Other Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries and associates; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(i)).

(l) Convertible Bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(m) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee Benefits

(i) Short-term Employee Benefits and Contributions to Defined Contribution Retirement Plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based Payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination Benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income Tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. guarantor) to make specified payments to reimburse the beneficiary to the guarantee ("the holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue Recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of Goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Interest Income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(u) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(v) Related Parties

For the purpose of these financial statements, a party is considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or had joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment Reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group.

Note 1 summarises the accounting policies of the group after the adoption of these developments to the extent that they are relevant to the group. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts)

In prior years, financial guarantees issued by the group were disclosed as contingent liabilities in accordance with HKAS 37 *"Provisions, contingent liabilities and contingent assets"*. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 April 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 1(r)(i).

During the years ended 31 March 2006 and 2007, financial guarantees are issued by the company in respect of certain banking and finance lease facilities granted to its subsidiaries. Due to the related party nature of these instruments, the directors considered it is not meaningful and practicable to estimate the fair values of the financial guarantees and therefore they have not been recognised in the company's financial statements. As a result, the adoption of amendments to HKAS 39 has no impact on the company's and the group's net assets and results for the current and prior years.

3 TURNOVER

The principal activities of the group are the manufacturing and sale of garments and retail sale of garments.

Turnover represents the aggregate of the invoiced value of goods sold and is stated after deducting goods returned, trade discounts and sales tax.

4 OTHER REVENUE AND NET LOSS

	2007	**2006**
	$'000	*$'000*
Other revenue		
Interest income	7,228	6,708
Others	1,939	1,020
	9,167	7,728
Other net loss		
Net foreign exchange loss	840	704

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2007	**2006**
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	55,772	55,143
Finance charges on obligations under finance leases	678	1,240
Bank charges	5,955	5,526
Other borrowing costs	3,434	1,280
	65,839	63,189

		2007	2006
		$'000	*$'000*
(b)	Staff cost:		
	Contributions to defined contribution retirement plan	1,616	1,349
	Equity-settled share-based payment expenses	–	5,670
	Salaries, wages and other benefits	166,416	136,685
		168,032	143,704

		2007	2006
		$'000	*$'000*
(c)	Other items:		
	Cost of inventories #	1,415,714	1,216,749
	Subcontracting charges #	37,104	28,518
	Depreciation #		
	– owned assets	50,044	36,369
	– assets held under finance leases	2,890	6,053
	Amortisation of land lease premium #	2,377	2,010
	Purchase cost of temporary textile quota entitlements	1,926	1,058
	Operating lease charges in respect of properties #		
	– minimum lease payments	14,312	3,704
	– contingent rentals*	13,004	–
	Auditor's remuneration	1,750	1,460
	Impairment loss on inventories #	1,332	698

Cost of inventories includes $202,888,000 (2006: $176,354,000) relating to subcontracting charges, staff costs, depreciation expenses, amortisation of land lease premium, operating lease charges and impairment loss on inventories, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

* *Contingent rentals relating to the operating leases of retail outlets were determined based in certain fixed rates on the turnover of the relevant retail outlets for the year.*

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007	**2006**
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	8,739	12,879
Under-provision in respect of prior years	13,954	14,605
	22,693	27,484
Current tax – Overseas		
Provision for the year	46	8,067
Over-provision in respect of prior years	(7,507)	–
	(7,461)	8,067
Deferred tax		
Origination and reversal of temporary differences *(note 28(b))*	(2,542)	(4,772)
	12,690	30,779

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

The group's subsidiaries in the PRC are subject to PRC income tax at the rate of 33%.

Pursuant to the tax exemption certificates issued by Cambodia tax authority, Tack Fat Garment (Cambodia) Ltd. and Cambodia Sportwear Mfg. Ltd. have become exempted Cambodia income tax during the periods from 1 April 2005 to 14 June 2008 and from 1 April 2005 to 14 June 2007 respectively. Accordingly, the provisions for Cambodian income tax totalling $7,507,000 made in the previous year was written back to the income statement for the year. In addition, the tax holiday of Supertex Limited was extended for a further two years and accordingly this subsidiary is exempted from Cambodian income tax during the period from 8 July 2004 to 7 July 2010.

The Hong Kong Inland Revenue Department ("HKIRD") is carrying out a review of certain taxation affairs of the Group, including intercompany transfer pricing arrangements, claims for offshore manufacturing profits and depreciation allowances of plant and machinery used outside Hong Kong in prior years. Depending on the outcome of such review, the group may become liable to pay additional tax and/or penalties up to three times of any tax underpaid, should the group fail to make a valid defence against any challenge by the HKIRD. The group has carried out a review on its tax position and based on the review, the group has made additional provisions where required. The directors are of the view that it is unlikely that the Group may become liable to any penalty or further taxes (note 32).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007	**2006**
	$'000	*$'000*
Profit before taxation	327,329	163,405
Notional tax on profit before taxation, calculated at Hong Kong Profits tax of 17.5%	57,283	28,596
Tax effect of non-taxable offshore income	(5,806)	(4,820)
Tax effect of non-taxable income	(21,356)	(1,160)
Tax rate differential of subsidiaries outside Hong Kong	(139)	(6,581)
Effect of tax holidays of subsidiaries outside Hong Kong	(24,961)	(10,887)
Tax effect of non-deductible expenses	3,377	15,555
Under-provision in prior years	6,447	14,605
Deferred taxation derecognised	(2,155)	(5,057)
Others	–	528
Actual tax expense	12,690	30,779

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

2007

	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement schemes contributions**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Kwok Wing	–	2,832	100	12	2,944
Lee Yuk Man	–	540	60	12	612
Ho Yik Kin, Norman	–	840	60	12	912
Kwok Kam Chuen	–	240	–	12	252
Independent non-executive directors					
Leung Yiu Wing, Eric	60	–	–	–	60
Ching Kwok Ho, Samuel	60	–	–	–	60
Heng Kwoo Seng	60	–	–	–	60
	180	4,452	220	48	4,900

2006

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement schemes contributions	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Kwok Wing	–	2,832	100	12	2,944
Lee Yuk Man	–	540	120	12	672
Ho Yik Kin, Norman	–	840	120	12	972
Kwok Kam Chuen	–	240	–	12	252
Independent non-executive directors					
Leung Yiu Wing, Eric	60	–	–	–	60
Ching Kwok Ho, Samuel	60	–	–	–	60
Heng Kwoo Seng	60	–	–	–	60
	180	4,452	340	48	5,020

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2006: two) are directors whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the other two (2006: three) individual is as follows:

	2007	2006
	$'000	*$'000*
Salaries and other emoluments	1,120	1,655
Discretionary bonuses	60	50
Share-based payments	–	1,095
Retirement scheme contributions	22	36
	1,202	2,836

The emoluments of the two (2006: three) individuals with the highest emoluments are within the following bands:

	Number of individuals 2007	2006
$		
Nil – 1,000,000	2	1
1,000,001 – 1,500,000	–	2

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the company includes a profit of $34,217,000 (2006: profit of $24,236,000) which has been dealt with in the financial statements of the company.

Reconciliation of the above amount to the company's profit for the year:

	2007	2006
	$'000	*$'000*
Amount of consolidated profit attributable to equity shareholders dealt with in the company's financial statements	34,217	24,236
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	31,851	30,333
Company's profit for the year *(note 29)*	66,068	54,569

10 DIVIDENDS

(a) Dividends Payable to Equity Shareholders of the Company Attributable to the Year

	2007	2006
	$'000	*$'000*
Interim dividend declared and paid of 1.2 cents per ordinary share (2006: 1.2 cents per ordinary share)	21,303	18,200
Final dividend proposed after the balance sheet date of 2 cents per ordinary share (2006: 1.81 cents per ordinary share)	42,267	31,569
	63,570	49,769

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends Payable to Equity Shareholders of the Company Attributable to the Previous Financial Year, Approved and Paid During the Year

	2007	2006
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.81 cents per share (2006: 2 cents per share)	31,851	30,333

Note: The amount of final dividend paid during the year of $31,851,000 included an additional amount of $282,000 paid to holders of new shares which were issued upon the conversion of convertible bonds before the closing date of the shareholders' register.

11 EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $314,639,000 (2006: $132,626,000) and the weighted average of 1,783,858,000 (2006: 1,516,664,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007 Number of shares *'000*	**2006 Number of shares** *'000*
Issued ordinary shares at 1 April	1,516,664	1,516,664
Effect of conversion of convertible bonds *(note 29)*	18,302	–
Effect of issuance of new shares *(note 29)*	243,171	–
Effect of share options exercised *(note 29)*	5,721	–
Weighted average number of ordinary shares at 31 March	1,783,858	1,516,664

(b) Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the adjusted profit attributable to ordinary equity shareholders of the company of $326,918,000 (2006: $145,043,000) and the weighted average number of 2,034,507,000 (2006: 1,767,605,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

(i) Profit Attributable to Ordinary Equity Shareholders of the Company (diluted)

	2007 *$'000*	**2006** *$'000*
Profit attributable to ordinary equity shareholders	314,639	132,626
Increase in earnings arising from savings in interest cost, net of tax (assuming the convertible bonds had been converted into shares in the company at the date of issue)	12,279	12,417
Profit attributable to ordinary equity shareholders (diluted)	326,918	145,043

(ii) Weighted Average Number of Ordinary Shares (diluted)

	2007 Number of shares *'000*	**2006 Number of shares** *'000*
Weighted average number of ordinary shares at 31 March	1,783,858	1,516,664
Effect of conversion of convertible bonds	215,664	234,000
Effect of deemed issued of shares under the company's share option scheme for nil consideration	34,985	16,941
Weighted average number of ordinary shares (diluted) at 31 March	2,034,507	1,767,605

12 SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

(a) Business Segment

The group has been predominately operating in one single business segment, i.e. the manufacturing and sale of garments. During the year, the group commenced the retail trading of garments in the PRC but such business was insignificant in the context of the group's overall operations for the year.

(b) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditures are based on the geographical location of the assets.

The group's business is principally managed in Hong Kong and other parts of the PRC as well as in Cambodia while the principal markets for the group's products are wholesalers and retailers in North America, Europe and other regions.

		2007	**2006**
		$'000	*$'000*
(i)	Segment revenue		
	North America	1,558,529	1,363,627
	Europe	229,665	215,765
	Other regions	154,351	75,774
		1,942,545	1,655,166
(ii)	Capital expenditures		
	Hong Kong	5,654	254
	PRC, excluding Hong Kong	14,073	15,197
	Cambodia	120,970	59,615
		140,697	75,066
(iii)	Segment assets		
	Hong Kong	1,884,614	1,257,615
	PRC, excluding Hong Kong	177,383	110,979
	Cambodia	531,992	533,318
		2,593,989	1,901,912

13 FIXED ASSETS

(a) The Group

	Land and buildings held for own use carried at cost	Plant and machinery	Furniture, fixtures and office equipment	Leasehold improvements	Motor vehicles and yacht	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:								
At 1 April 2005 (restated)	160,646	250,951	76,205	–	14,303	502,105	100,835	602,940
Exchange adjustments	752	840	273	–	117	1,982	138	2,120
Additions	31,577	38,510	4,720	–	259	75,066	–	75,066
At 31 March 2006	192,975	290,301	81,198	–	14,679	579,153	100,973	680,126
At 1 April 2006	192,975	290,301	81,198	–	14,679	579,153	100,973	680,126
Exchange adjustments	1,200	1,347	405	–	203	3,155	220	3,375
Additions	6,005	91,772	4,151	19,709	883	122,520	18,177	140,697
At 31 March 2007	200,180	383,420	85,754	19,709	15,765	704,828	119,370	824,198
Accumulated depreciation:								
At 1 April 2005 (restated)	20,618	162,796	45,718	–	12,960	242,092	12,496	254,588
Exchange adjustments	206	779	201	–	107	1,293	28	1,321
Charge for the year	3,757	31,120	7,029	–	516	42,422	2,010	44,432
At 31 March 2006	24,581	194,695	52,948	–	13,583	285,807	14,534	300,341
At 1 April 2006	24,581	194,695	52,948	–	13,583	285,807	14,534	300,341
Exchange adjustments	361	1,332	348	–	177	2,218	49	2,267
Charge for the year	4,495	37,010	7,577	3,140	712	52,934	2,377	55,311
At 31 March 2007	29,437	233,037	60,873	3,140	14,472	340,959	16,960	357,919
Net book value:								
At 31 March 2007	170,743	150,383	24,881	16,569	1,293	363,869	102,410	466,279
At 31 March 2006	168,394	95,606	28,250	–	1,096	293,346	86,439	379,785

(b) The analysis of net book value of properties is as follows:

	The group	
	2007	**2006**
	$'000	*$'000*
In Hong Kong		
– Medium-term leases #	5,844	5,990
In PRC, other than Hong Kong		
– Medium-term leases #	19,105	18,359
In Cambodia		
– Long term leases #	248,204	230,484
	273,153	254,833
Representing:		
Land and buildings held for own use carried at cost	170,743	168,394
Interests in leasehold land held for own use under operating leases	102,410	86,439
	273,153	254,833

Medium-term leases represent leases with an unexpired period of less than 50 years but not less than 10 years. Long term leases represent leases with an unexpired period of not less than 50 years.

Pursuant to certain non-cancellable long lease agreements, the company's subsidiaries in Cambodia leased two parcels of land from the Government of Cambodia for a period of 70 years beginning in April and September 1994 respectively, in consideration of pre-determined fixed annual rents totalling approximately $55,057,000 plus contingent rents at 0.3% of the annual net profits of the subsidiaries. Pursuant to the lease agreements, the subsidiaries' title to fixtures erected on the relevant land will be surrendered to the Government of Cambodia upon expiry of the respective leases. The group's interests in such land have been recognised as leased assets and its corresponding lease obligations have been recognised as liabilities based on the accounting policy set out in note 1(h).

For the year ended 31 March 2007, contingent rentals incurred by the group in respect of the leases of land from the Government of Cambodia amounted to $381,000 (2006: $432,000). Except for these, none of the leases of the group includes contingent rentals.

Pursuant to lease agreements dated 26 July 2000, the company's subsidiaries in Cambodia leased another two parcels of land in Cambodia for a period of 70 years beginning in July 2000 with an option to renew, at an aggregate consideration of $58,964,000. Such consideration was determined based on the purchase price borne by lessor which approximated the open market value.

Pursuant to a lease agreement dated 9 June 2006, the company's subsidiary in Cambodia leased an additional parcel of land in Cambodia for a period of 90 years beginning in June 2006 with an option to renew, at a cash consideration of $18,177,000. Such consideration was based on arm-length negotiations with the lessor taking into account the open market value.

In respect of the group's properties in the PRC, other than Hong Kong, the group has been granted the right to use the land by the relevant PRC authorities for a period of 50 years, which expires in April 2044.

(c) Fixed Assets Held Under Finance Leases

In addition to the leasehold land and buildings accounted for as being held under finance leases in note (b) above, the group leases production plant and machinery and equipment under finance leases expiring from one to five years. In accordance with the relevant lease agreements, at the end of the lease term the group has the option to purchase the leased assets at a price deemed to be a bargain purchase option.

As at 31 March 2007, the net book value of plant and machinery and equipment held under finance leases were as follows:

	The group	
	2007	**2006**
	$'000	*$'000*
Plant and machinery	15,283	24,149
Furniture, fixtures and office equipment	524	344
	15,807	24,493

14 INVESTMENTS IN SUBSIDIARIES

	The company	
	2007	**2006**
	$'000	*$'000*
Unlisted shares, at cost	228,300	228,300

All of these are subsidiaries as defined under note 1(c) and have been consolidated into the group's financial statements.

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the company	Proportion of ownership interest held by a subsidiary	Principal activities
Ever Century Holdings Limited	British Virgin Islands/ Hong Kong	700 ordinary shares of US$1 each	100	–	Investment holding
Tack Fat Swimwear Manufacturing Limited ("Tack Fat Swimwear")	Hong Kong	1,000 non-voting deferred shares of $10,000 each 2 ordinary shares of $10,000 each	–	100	Manufacturing and sale of garments
Tack Fat Manufacturing Factory Limited	Hong Kong	2 ordinary shares of $10 each	–	100	Trading of fabric and other materials
Chiu Wing Enterprise Company Limited	Hong Kong	3,000 non-voting deferred shares of $1,000 each 2 ordinary shares of $1,000 each	–	100	Property holding
Luoding Hua Tian Long Garment Ltd. *(note (i))*	PRC	US$10,280,039	–	100	Manufacturing of garments
Tack Fat Garment (Cambodia) Ltd. *(note (ii))*	Cambodia	Register capital of US$3,000,000	–	100	Manufacturing of garments
Cambodia Sportswear Mfg. Ltd. *(note (ii))*	Cambodia	Register capital of US$2,400,000	–	100	Manufacturing of garments
Supertex Limited *(note (ii))*	Cambodia	Register capital of US$250,000	–	100	Manufacturing of garments
Tack Fat International Holdings Limited	Hong Kong	10,000 non-voting deferred shares of $1 each 2 ordinary shares of $1 each	–	100	Investment holding

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the company	Proportion of ownership interest held by a subsidiary	Principal activities
Lantern Services Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Potter Industries Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Blue Cat Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	–	100	Dormant
Newest Global Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	–	100	Investment holding
Sino Profit Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	–	100	Sale of garments
Global Far East (Macao Commercial Offshore) Limited	Macau	Register capital of MOP100,000	–	100	Sale of garments
Zhongshan Sing Long Garment Limited *(note (i))*	PRC	US$1,000,000	–	100	Manufacturing of garments
Menlo Dynamics Company Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of $1 each	–	100	Investment holding
Well Fit Intimate Design and Manufacture Limited	Hong Kong	1 ordinary share of $1	–	100	Sale of garments
Well Fit Shenzhen Garment Manufacture Limited *(note (i))*	PRC	HK$25,600,000	–	100	Manufacturing of garments
Well Fit Apparel (Shenzhen) Limited *(note (i))*	PRC	$1,680,000	–	100	Dormant
Mudd Far East (H.K.) Limited	Hong Kong	1 ordinary share of $1	–	100	Investment holding
Masswin International Limited	British Vrigin Island	1 ordinary share of US$1	–	100	Investment holding

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the company	Proportion of ownership interest held by a subsidiary	Principal activities
Luo Ding Fu Yu Apparel Limited *(note (i))*	PRC	$20,000,000	–	100	Retailing of garments
Anway Limited	British Virgin Island	1 ordinary share of US$1	–	100	Investment holding

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are wholly foreign owned limited companies incorporated pursuant to the Law on Investment in the Kingdom of Cambodia and the Law Bearing Upon Commercial Regulation and the Commercial Register.

15 INTERESTS IN ASSOCIATES

	The group 2007 $'000	The group 2006 $'000
Share of net assets	285,418	171,334
Goodwill	261,079	261,079
	546,497	432,413

Impairment tests for cash-generating units containing goodwill

Goodwill is attributable to the associates' cash-generating units (CGU) identified according to its operating business segment, i.e., the design, manufacture and sale of garments and such goodwill amounted to approximately $261,079,000 as at 31 March 2007 and 2006. The recoverable amount of the CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets of the CGU covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2007	2006
Gross margin	42%	40%
Growth rate	2%	2%
Discount rate	8%	8%

The budgeted gross margin was determined by the group based on past performance and its expectation for market development. The growth rate is estimated by the group after taking into consideration of industry growth forecast. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment. The group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed its aggregate recoverable amount.

Pursuant to the sale and purchase agreement dated 26 July 2004, and supplemental agreement dated 22 February 2005, Lung Investment Holding, LLC, an independent third party (the "Vendor") has guaranteed that the aggregate audited consolidated/combined net profits before tax, charges for goodwill, minority interests and any extraordinary or exceptional items of Sino Legend Limited and its subsidiaries for the period from 21 May 2004 to 31 March 2007 will not be less than US$108 million (the "Guaranteed Profit"), as determined in accordance with accounting principles generally accepted in the United States of America, and that in the event that there is any short fall in the actual amount from the Guaranteed Profit, the Vendor shall compensate the Group in cash an amount equal to 2.95 times of the annualised shortfall attributable to 43.06% shares in Sino Legend. As at the date of approval of these financial statements, the group is in the process of completing the finalisation of the above compensation, if any. Accordingly, any resulting financial effect is to be accounted for in the annual financial statements of the Group for the forthcoming year as an adjustment to the cost of investment in Sino Legand and therefore as a reduction in the amount recorded as goodwill.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the group:

			Proportion of ownership interest			
Name of company	**Place of incorporation/ operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**	**Principal activities**
Sino Legend Limited	British Virgin Islands	1,000,000 preferred shares of US$0.01 each 200,000 ordinary shares of US$0.01 each	50%	–	50%	Investment holding
Mudd (USA) LLC	United States of America	72,000 class A units of US$40,000 20,000 class B units of US$10,000 8,000 class C units of US$Nil paid	40%	–	40%	Design, manufacture and sale of garments

Summary Financial Information on Associates

	Assets	Liabilities	Equity	Revenue	Profit/ (loss)
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2007					
100 per cent	837,400	266,565	570,835	1,002,565	228,167
Group's effective interest	418,700	133,282	285,418	501,283	114,084
2006					
100 per cent	747,052	404,384	342,668	621,356	(71,503)
Group's effective interest	373,526	202,192	171,334	310,678	(35,752)

16 OTHER FINANCIAL ASSETS

	The group	
	2007	**2006**
	$'000	*$'000*
Premium paid for option to acquire shares *(note (a))*	78,000	78,000
Investment securities – unlisted equity shares, at cost *(note (b))*	15,000	15,000
Club debentures	1,100	1,100
	94,100	94,100

Notes:

(a) The group bought an option to acquire an additional 20.8% equity interest in Sino Legend Limited at a cash consideration of $78,000,000 from Lung Investment Holding, LLC. The option is exercisable during the period from 1 April 2007 to 30 September 2007. Upon exercise of the option, the group is required to pay to Lung Investment Holding, LLC a further US$15.65 million (approximately $122.1 million) in cash for the acquisition of the 20.8% equity interest.

The option was not presently exercisable as at 31 March 2007 and it was carried at cost less any impairment loss at that date. The directors of the company have carried out an assessment of the recoverable amount of the option as at 31 March 2007 and concluded that there has been no impairment loss in the carrying value of the option.

(b) Pursuant to a sale and purchase agreement dated 1 June 2007, the investment in unlisted equity shares was disposed to an independent third party in June 2007 (note 34(f)).

17 INVENTORIES

	The group	
	2007	**2006**
	$'000	*$'000*
Raw materials	211,693	167,557
Work in progress	63,088	52,831
Finished goods	38,889	27,681
	313,670	248,069

None of the inventories is stated at net realisable value.

18 TRADE AND OTHER RECEIVABLES

	The group	
	2007	**2006**
	$'000	*$'000*
Trade receivables *(note (a))*	473,334	491,857
Deposits with subcontractors for manufacturing of garments	26,498	33,188
Refundable acquisition deposit *(note (b))*	281,800	–
Other prepayments and receivables *(note (c))*	51,476	45,814
	833,108	570,859

Notes:

(a) As at 31 March 2007, trade receivables included an amount due from Mudd (USA) LLC, a principal associate of the group of $205,343,000 (2006: $294,233,000).

As at 31 March 2007, certain trade receivables amounting to $40,852,000 (2006: $11,270,000) were pledged as security for certain bill discounting loans (note 22).

(b) As at 31 March 2007, the Group placed a refundable deposit of $281,800,000 with Xbert Investment Limited ("the Vendor"), an independent third party in connection with the proposed acquisition of a controlling equity interest of 90% in Best Favous Group (note 34(e)). In June 2007, the Group applied the deposit in part settlement of the consideration payable to the Vendor in consummation of the acquisition.

(c) The balance at 31 March 2006 and 2007 included a prepayment of $30,000,000 for investment in unlisted equity shares in a joint stock company in the PRC (the "Investee"). The prepayment is to be applied for settlement of an equivalent amount of investment consideration payable by the company upon the successful completion of a reorganisation of the Investee. The prepayment is refundable in cash in the event that such reorganisation is not complete within certain specific date.

All the trade and other receivables are expected to be recovered within one year.

Credit terms granted by the group to customers generally range from one to six months. Included in trade receivables are balances (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The group	
	2007	**2006**
	$'000	*$'000*
Within 3 months	472,474	264,673
More than 3 months but less than 6 months	860	227,184
	473,334	491,857

The group's credit policy is set out in note 30(a).

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2007	**2006**
	$'000	*$'000*
Euro	EUR 4,075	EUR –
United States Dollars	USD 56,812	USD 63,911
Renminbi	RMB 4,275	RMB 6,042

19 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries at 31 March 2007 included a balance of $736,405,000, which is unsecured, bear interest at 2% per annum and not repayable within one year. The remaining balance is unsecured, interest free and repayable on demand.

The amounts due from subsidiaries at 31 March 2006 were unsecured and repayable on demand. Included in the amounts due from subsidiaries was a balance of $426,269,000 which was bearing interest at 2% per annum and the remaining balance was interest free.

20 CASH AND CASH EQUIVALENTS

	The group		The company	
	2007	**2006**	**2007**	**2006**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks	320,792	132,941	–	–
Cash at bank and in hand	19,543	43,745	132	88
Cash and cash equivalents in the balance sheet	340,335	176,686	132	88
Bank overdrafts *(note 22)*	(4,395)	(817)	–	–
Cash and cash equivalents in the cash flow statement	335,940	175,869		

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group		The company	
	2007	**2006**	**2007**	**2006**
	$'000	*$'000*	*$'000*	*$'000*
United States Dollars	USD 1,667	USD 19,949	USD 2	USD 2
Renminbi	RMB 4,046	RMB 4,984	RMB –	RMB –

21 TRADE AND OTHER PAYABLES

	The group		The company	
	2007	**2006**	**2007**	**2006**
	$'000	*$'000*	*$'000*	*$'000*
Bills payable	18,511	21,768	–	–
Trade payables	61,826	49,437	–	–
Accrued expenses and other payables	27,762	11,268	13,833	110
	108,099	82,473	13,833	110

Included in accrued expenses and other payables at 31 March 2007 were receipts in advance amounting to $13,880,000 (2006: $nil) for new shares issued after the year end (note 34(b)).

The credit terms obtained by the group generally range from 30 days to 180 days. Included in trade and bills payables are balances with the following ageing analysis as of the balance sheet date:

	The group	
	2007	**2006**
	$'000	*$'000*
Due within 1 month or on demand	24,036	25,722
Due after 1 month but within 3 months	41,696	37,207
Due after 3 months but within 6 months	14,605	8,276
	80,337	71,205

All of the above balances are expected to be settled within one year.

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2007	**2006**
	$'000	*$'000*
United States Dollars	USD 1,838	USD 4,942
Renminbi	RMB 4,728	RMB 2,414

22 BANK LOANS AND OVERDRAFTS

At 31 March 2007, the bank loans and overdrafts were repayable as follows:

	The group	
	2007	**2006**
	$'000	*$'000*
Within 1 year or on demand	287,188	230,954
After 1 year but within 2 years	384,000	93,538
After 2 years but within 5 years	–	381,846
	384,000	475,384
	671,188	706,338

At 31 March 2007, the bank loans and overdrafts were analysed as follows:

	The group	
	2007	**2006**
	$'000	*$'000*
Bank overdrafts *(note 20)*	4,395	817
Trust receipt loans	89,498	135,741
Export finance loans	34,947	56,688
Bill discounting loans	40,852	11,270
Term loans	501,496	501,822
	671,188	706,338

Included in bank loans and overdrafts are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2007	**2006**
	$'000	*$'000*
Euro	EUR 148	EUR –
United States Dollars	USD 11,112	USD 15,075

The banking facilities of the group were secured by corporate guarantees issued by the company. Due to the related party nature of these instruments, the directors considered it is not meaningful and practicable to estimate the fair values of such guarantees and therefore they have not been recognised in the company's financial statements.

Certain banking facilities included financial covenants relating to certain of the group's balance sheet ratios and minimum shareholding requirements required to be complied with by the group and certain principal shareholders of the company respectively, as are commonly found in lending arrangements with financial institutions. If the group were to breach the covenants, the drawn down facilities would become payable on demand. The group regularly monitors its compliance with these covenants. Further details of the group's management of liquidity risk are set out in note 30(b). As at 31 March 2007, none of the covenants relating to drawn down facilities had been breached (2006: none).

23 CONVERTIBLE BONDS

	The group and the company	
	2007	**2006**
	$'000	*$'000*
Unlisted and unsecured redeemable convertible bonds	157,720	187,776

Pursuant to a bond placement agreement dated 13 September 2004, the company issued US$30,000,000 (approximately $234,000,000) convertible bonds bearing interest at 1% per annum payable in quarters to independent investors on 11 October 2004. The convertible bonds will mature on 12 October 2009. The bonds are convertible into the company's shares at the conversion price of $1.00 after three months from 11 October 2004 provided that up to a maximum of 50% of the bonds may be converted within the first 12 months from the date of issue. Each bondholder has a put option such that the company shall redeem the bonds upon exercise of the option by the relevant bondholder under the following circumstances: (i) on the third and fifth anniversaries from the date of bond issue; or (ii) if the company's shares are de-listed or suspended from trading on the SEHK for more than 14 consecutive trading days; or (iii) if there is a change in control of the company.

During the year, convertible bonds totalling US$7,000,000 (approximately $54,570,000) were converted into ordinary shares (note 29(c)(ii)).

Subsequent to the year end, convertible bonds totalling US$3,400,000 (approximately $26,295,000) were converted into ordinary shares in May 2007 (note 34(c)).

24 OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2007, the group had obligations under finance leases repayable as follows:

	2007		2006	
	Present value of minimum lease payments	Total minimum lease payments	Present value of minimum lease payments	Total minimum lease payments
	$'000	*$'000*	*$'000*	*$'000*
Within 1 year	6,914	7,571	10,989	11,643
After 1 year but within 2 years	2,863	3,265	2,641	2,922
After 2 years but within 5 years	1,053	2,090	872	1,550
After 5 years	34,016	44,736	34,223	41,400
	37,932	50,091	37,736	45,872
	44,846	57,662	48,725	57,515
Less: Total future interest expense		(12,816)		(8,790)
Present value of lease obligations		44,846		48,725

As at 31 March 2007, certain finance lease obligations amounting to $6,446,000 (2006: $13,065,000) were secured by corporate guarantees issued by the company. Due to the related party nature of these instruments, the directors considered it is not meaningful and practicable to estimate the fair values of such guarantees and therefore they have not been recognised in the company's financial statements.

25 PROVISION FOR LONG SERVICE PAYMENTS

	The group
	$'000
At 31 March 2006 and 2007	1,800

According to Part VB of the Employment Ordinance ("the Ordinance"), the company is liable to make long service payments to the employees who have completed the required number of years of service on termination of their employment and where the termination of employment meets the required circumstances as specified in the Ordinance.

At 31 March 2007, a provision of $1,800,000 (2006: $1,800,000) has been made by the group based on the best estimate of the long service payments that are required to be made to employees in respect of their service to date, less any amounts that would be expected to be met out of the company's mandatory provident fund contributions.

26 EMPLOYEE RETIREMENT BENEFITS

The group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

In addition, the group's subsidiaries in the PRC participate in a defined contribution retirement scheme organised by the PRC municipal government. These subsidiaries are required to make contributions at 18% of the relevant PRC employees' salaries to the scheme.

The group is not required to operate a retirement scheme for its employees' in Cambodia.

Save as disclosed above, the group has no other obligations to make payments in respect of retirement benefits of the employees.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The company has a share option scheme which was adopted on 11 April 2002 whereby the directors of the company are authorised, at their discretion, to invite any full-time employees, directors and part-time employees of the group, any advisers (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the group to take up options to subscribe for shares of the company.

The exercise price is determined by the board of directors at its absolute discretion and notified to each option holder but shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the SEHK on the date of grant, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the SEHK for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share on the date of grant. The options may be exercised in accordance with the terms of the share option scheme at any time during a period to be notified by the board of directors to each option holder but may not be exercised after the expiry of ten years from the date of grant. The board of directors may provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one ordinary share in the company.

(a) The terms and conditions of the grants that existed as at 31 March 2007 and 2006 are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	**Vesting conditions**	**Contractual life of options**
Options granted to employees outstanding at 31 March 2007:			
On 8 November 2004	32,000,000	Date of grant	3 years
On 24 October 2005	70,000,000	Date of grant	3 years
	102,000,000		
Options granted to employees outstanding at 31 March 2006:			
On 8 November 2004	68,000,000	Date of grant	3 years
On 24 October 2005	70,000,000	Date of grant	3 years
	138,000,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$	*'000*	*$*	*'000*
Outstanding at the beginning of the period	0.676	138,000	0.74	68,000
Exercise during the period	0.740	(36,000)	–	–
Granted during the period		–	0.614	70,000
Outstanding at the end of the period		102,000		138,000
Exercisable at the end of the period		102,000		138,000

The options outstanding at 31 March 2007 had an exercise price of $0.614 to $0.74 (2006: $0.614 to $0.74) and a weighted average remaining contractual life of 1.3 years (2006: 2.1 years).

(c) Fair Value of Share Options and Assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share option is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value and assumptions for 70 million share options issued on 24 October 2005	
Fair value at measurement date	
Share price	$0.58
Exercise price	$0.614
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	32.9%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	1.9 years
Expected dividends	6%
Risk-free interest rate (based on Exchange of Fund Notes)	4.064%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

28 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The group	
	2007	**2006**
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	8,739	12,879
Balance of Profits Tax provision relating to prior years	28,954	14,605
Provisional Profits Tax paid	(3,466)	(1,147)
	34,227	26,337
Taxation outside Hong Kong	–	7,507
	34,227	33,844

None of the tax payable is expected to be settled after more than one year.

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation	
	2007	**2006**
	$'000	*$'000*
The group		
Deferred tax arising from:		
At 1 April	2,756	7,590
Exchange adjustments	23	(62)
Credited to profit or loss *(note 6(a))*	(2,542)	(4,772)
At 31 March	237	2,756

There were no material unprovided deferred tax assets or liabilities as at 31 March 2007.

29 CAPITAL AND RESERVES

(a) The Group

	Share capital $'000	Share premium $'000	Land and buildings revaluation reserve $'000	Capital reserve $'000	Exchange reserve $'000	Contributed surplus $'000	PRC statutory reserve $'000	Retained earnings $'000	Total $'000
At 1 April 2005	151,666	81,165	–	56,931	–	6,400	40	449,713	745,915
Dividend approved in respect of previous year *(note 10)*	–	–	–	–	–	–	–	(30,333)	(30,333)
Equity settled share-based transactions	–	–	–	5,670	–	–	–	–	5,670
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	2,522	–	–	–	2,522
Profit for the year	–	–	–	–	–	–	–	132,626	132,626
Profit appropriation to reserve funds	–	–	–	–	–	–	34	(34)	–
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	–	(18,200)	(18,200)
At 31 March 2006	151,666	81,165	–	62,601	2,522	6,400	74	533,772	838,200

	Share capital $'000	Share premium $'000	Capital reserve $'000	Exchange reserve $'000	Contributed surplus $'000	PRC statutory reserve $'000	Retained earnings $'000	Total $'000
At 1 April 2006	151,666	81,165	62,601	2,522	6,400	74	533,772	838,200
Shares issued								
– placement of new shares	39,277	363,961	–	–	–	–	–	403,238
– exercise of share options	3,600	23,040	–	–	–	–	–	26,640
– conversion of convertible bonds	5,457	49,113	(13,650)	–	–	–	–	40,920
Dividend approved in respect of previous year *(note 10)*	–	–	–	–	–	–	(31,851)	(31,851)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	5,389	–	–	–	5,389
Profit for the year	–	–	–	–	–	–	314,639	314,639
Profit appropriation to reserve funds	–	–	–	–	–	47	(47)	–
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	(21,303)	(21,303)
At 31 March 2007	200,000	517,279	48,951	7,911	6,400	121	795,210	1,575,872

(b) The Company

	Share capital $'000	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Retained earnings $'000	Total $'000
At 1 April 2005	151,666	81,165	56,931	193,780	(1,413)	482,129
Dividend approved in respect of the previous year *(note 10)*	–	–	–	–	(30,333)	(30,333)
Equity settled share-based transactions	–	–	5,670	–	–	5,670
Profit for the year	–	–	–	–	54,569	54,569
Dividends declared in respect of the current year *(note 10)*	–	–	–	–	(18,200)	(18,200)
At 31 March 2006	151,666	81,165	62,601	193,780	4,623	493,835
At 1 April 2006	151,666	81,165	62,601	193,780	4,623	493,835
Placement of new shares	39,277	363,961	–	–	–	403,238
Exercise of share options	3,600	23,040	–	–	–	26,640
Conversion of convertible bonds	5,457	49,113	(13,650)	–	–	40,920
Dividend approved in respect of the previous year *(note 10)*	–	–	–	–	(31,851)	(31,851)
Profit for the year	–	–	–	–	66,068	66,068
Dividends declared in respect of the current year *(note 10)*	–	–	–	–	(21,303)	(21,303)
At 31 March 2007	200,000	517,279	48,951	193,780	17,537	977,547

(c) Share Capital

		2007		2006	
		Number of shares	**Amount**	**Number of shares**	**Amount**
			$'000		*$'000*
Authorised:					
Ordinary shares of $0.1 each		2,000,000,000	200,000	2,000,000,000	200,000
Issued and fully paid:					
At 1 April		1,516,664,000	151,666	1,516,664,000	151,666
Placement of new shares in:	*(i)*				
– April 2006		227,500,000	22,750	–	–
– February 2007		165,266,000	16,527	–	–
Conversion of convertible bonds	*(ii)*	54,570,000	5,457	–	–
Shares issued under share option scheme	*(iii)*	36,000,000	3,600	–	–
At 31 March		2,000,000,000	200,000	1,516,664,000	151,666

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

(i) Shares issued

On 10 April 2006, Efulfilment Enterprise Limited ("Efulfilment"), a controlling shareholder of the Company entered into a placing agreement to place 227,500,000 existing shares of the Company to independent investors at a placing price of $1.03 per share. On the same date, Efulfilment entered into a subscription agreement to subscribe for 227,500,000 new shares of the Company at a subscription price of $1.03 per share. The net share proceeds, after deduction of transaction costs, amounted to $227,037,000.

On 12 February 2007, Efulfilment entered into a placing agreement to place 178,000,000 existing shares of the Company to independent investors at a placing price of $1.09 per share. On the same date, Efulfilment entered into a subscription agreement to subscribe for 178,000,000 new shares of the Company at a subscription price of $1.09 per share. In this connection, the Company issued 165,266,000 new ordinary shares in February 2007 and the remaining 12,734,000 new ordinary shares in April 2007 (note 34). The net share proceeds, after deduction of transaction costs, amounted to $176,201,000 and $13,576,000 respectively for the shares issued in February and April 2007.

(ii) Conversion of convertible bonds

During the year, convertible bonds totalling of US$7,000,000 ($54,570,000) were converted at a conversion price of $1.00 per share into 54,570,000 ordinary shares ordinary shares respectively of the Company (note 23).

(iii) Shares issued under share option scheme

In February 2007, 36,000,000 share options were exercised at an exercise price of $0.74 per share to subscribe for 36,000,000 ordinary shares in the company.

Subsequent to the year end date, an additional 32,000,000 and 42,000,000 share options were exercised in May 2007 and June 2007 respectively, (note 34(d)).

(d) Nature and Purpose of Reserves

(i) Share Premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the company provided that immediately following the date on which the dividend is proposed to be distributed, the company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) Contributed Surplus

The contributed surplus represents the difference between the combined net asset value of the subsidiaries acquired pursuant to the reorganisation in April 2002 over the nominal value of the shares of the company issued in exchange therefore. The application of contributed surplus is the same as the share premium.

(iii) PRC Statutory Reserve

In accordance with the relevant PRC laws applicable to enterprises with foreign investment, the company's subsidiaries in the PRC are required to transfer at least 10% of their annual net profit determined under relevant PRC accounting regulations to the general reserve until the balance of the reserve is equal to 50% of the entities' registered capital. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.

(e) Distributability of Reserves

At 31 March 2007, the aggregate amount of reserves available for distribution to equity shareholders of the company was $728,596,000 (2006: $279,568,000). After the balance sheet date, the directors proposed a final dividend of 2 cents per share (2006: 1.81 cents per share), amounting to $42,267,000 (2006: $31,569,000). This dividend has not been recognised as a liability at the balance sheet date.

30 FINANCIAL INSTRUMENTS

As at 31 March 2007, the group's financial assets comprise mainly other financial assets, trade and other receivables and cash and cash equivalents. The group's financial liabilities comprised mainly trade and other payables, convertible bonds and bank borrowings.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. These risks are limited by the group's financial management policies and practices described below.

(a) Credit Risk

The group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due from one to six months from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the group does not obtain collateral from customers.

Most of the group's cash and cash equivalents are deposited with banks in Hong Kong and the PRC.

At 31 March 2007, the group had a trade receivable due from an associate, Mudd (USA) LLC of $205,343,000 (2006: $294,233,000). Except for this, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Liquidity Risk

Individual operating entities within the group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest Rate Risk

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The group

	2007						2006					
	Effective interest rate	Total	One year or less	1 – 2 years	2 – 5 years	More than 5 years	Effective interest rate	Total	One year or less	1 – 2 years	2 – 5 years	More than 5 years
	%	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*%*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Repricing dates for assets/ (liabilities) which reprice before maturity												
Cash and cash equivalents	0.54	19,543	19,543	–	–	–	1.30	43,745	43,745	–	–	–
Bank overdrafts	7.36	(4,395)	(4,395)	–	–	–	8.00	(817)	(817)	–	–	–
Bank loans	5.11	(666,793)	(282,793)	(384,000)	–	–	5.24	(705,521)	(230,137)	(93,538)	(381,846)	–
		(651,645)	(267,645)	(384,000)	–	–		(662,593)	(187,209)	(93,538)	(381,846)	–
Maturity dates for assets/ (liabilities) which do not reprice before maturity												
Deposits with banks	4.05	320,792	320,792	–	–	–	3.97	132,941	132,941	–	–	–
Finance lease liabilities	2.00	(44,846)	(6,914)	(2,863)	(1,053)	(34,016)	2.24	(48,725)	(10,989)	(2,641)	(872)	(34,223)
Convertible bonds	7.15	(157,720)	(157,720)	–	–	–	7.15	(187,776)	–	(187,776)	–	–
		118,226	156,158	(2,863)	(1,053)	(34,016)		(103,560)	121,952	(190,417)	(872)	(34,223)

The Company

	2007						2006					
	Effective interest rate	Total	One year or less	1 – 2 years	2 – 5 years	More than 5 years	Effective interest rate	Total	One year or less	1 – 2 years	2 – 5 years	More than 5 years
	%	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*%*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Repricing dates for assets/(liabilities) which reprice before maturity												
Cash and cash equivalents	0.14	132	132	–	–	–	0.14	88	88	–	–	–
Maturity dates for assets/(liabilities) which do not reprice before maturity												
Convertible bonds	7.15	(157,720)	–	(157,720)	–	–	7.15	(187,776)	–	(187,776)	–	–

(d) Foreign Currency Risk

The group is exposed to foreign currency risk primarily through sales to overseas customers and purchases from overseas suppliers which are generally denominated in United States Dollars, Euro and Renminbi. The group also has bank deposits and obtain bank loans which are primarily denominated in United States Dollars, Euro and Renminbi. The group reviews its foreign currency exposures regularly and does not consider its present foreign exchange risk to be significant. However, the group would consider hedging of its foreign currency exposures when its foreign exchange risk becomes significant.

(e) Fair Values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2007 and 2006.

31 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2007 not provided for in the financial statements were as follows:

	The group	
	2007	**2006**
	$'000	*$'000*
(i) Acquisition of fixed assets		
– Contracted for	2,136	7,578
– Authorised but not contacted for	6,223	4,550
	8,359	12,128
(ii) Investment commitment *(note 34(e))*	330,000	–

(b) At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	The group	
	2007	**2006**
	$'000	*$'000*
Within 1 year	12,737	3,584
After 1 year but within 5 years	7,678	198
After 5 years	235	–
	20,650	3,782

The group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated.

32 CONTINGENT LIABILITIES

(a) A writ of summons dated 29 February 2000 was filed by a supplier of the group against Tack Fat Swimwear Manufacturing Limited, a wholly-owned subsidiary of the company, claiming a sum of US$202,850 (equivalent to $1,582,000) for an alleged breach of the payment terms under certain purchase contracts. Based on the advice obtained from the legal advisers acting for Tack Fat Swimwear, the directors of the company are of the view that Tack Fat Swimwear has a valid defence and counterclaim against the supplier. Consequently, no provision for such litigation or the associated legal costs has been included in the financial statements.

(b) As at 31 March 2007, the company issued letters of guarantee in respect of bank facilities totalling $1,078,050,000 (2006: $1,366,405,000) and finance lease obligations totalling $6,446,000 (2006: $13,065,000) granted to certain wholly-owned subsidiaries of the Company.

(c) As disclosed in note 6 (a), the HKIRD is carrying out a review of certain taxation affairs of the group and depending on the outcome of such review, the group may become liable to pay additional tax and/or penalties up to three times of any tax underpaid. The group has carried out a review on its tax position and based on the review, the group has made additional provisions where required. The directors are of the view that it is unlikely that the group may become liable to any penalty or further taxes.

33 RELATED PARTY TRANSACTIONS

(a) During the year, the group had the following material transactions with related parties which were carried out on normal commercial terms and in the ordinary course of the business of the group.

		2007	**2006**
		$'000	*$'000*
Sales	*(i)*	535,879	412,030
Reimbursement of expenses	*(ii)*	1,933	1,725
Warehouse rentals	*(iii)*	372	372
Directors' quarters rentals paid to	*(iv)*		
– Jumbo Team		816	816
– Granco		816	816
Guangzhou office rentals	*(v)*	510	490

Notes:

(i) In 2007, the Group sold garments totalling $535,879,000 to its principal associate, Mudd (USA) LLC. For those products supplied through independent suppliers, the selling prices charged by the group generally represented a mark-up at certain fixed percentages on the purchase prices of garments borne by the group. For those products manufactured by the group, the selling prices charged by the group were determined with reference to the selling prices charged to other customers.

(ii) In 2007, the group received reimbursements for certain procurement charges incurred on behalf of Mudd (USA) LLC.

(iii) The group entered into lease arrangements with Mr Kwok Wing, a director of the company, and his mother for leasing of a warehouse. The lease currently in force will expire on 22 October 2007 and the monthly rental payable by the group under such lease is $31,000, which was determined by reference to open market value.

(iv) The group had a lease arrangement with Jumbo Team Development Limited ("Jumbo Team") and Granco Enterprises Limited ("Granco") for the provision of directors' quarters to the group. Both Granco and Jumbo Team are jointly owned by Mr Kwok Wing and his brother. On 6 March 2007, the leases with Granco and Jumbo Team were renewed for a period of one year beginning on 1 April 2007. The monthly rental payable by the group under each of the new leases is $68,000, which was determined by reference to open market value.

(v) The group had a lease arrangement with Guangzhou Tack Fat Construction Co., Ltd., a company which is controlled by Mr Kwok Wing and his brother for leasing of an office property in Guangzhou, the PRC. The lease currently in force expires on 26 October 2007 and the monthly rental payable by the group under such lease is approximately RMB43,000, which was determined by reference to open market value.

(b) Key Management Personnel Remuneration

Remuneration for key management personnel of the group, including amounts paid to the company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2007	**2006**
	$'000	*$'000*
Short-term employee benefits	7,402	8,299
Equity compensation benefits	–	2,594
	7,402	10,893

Total remuneration is included in "staff costs" (note 5).

34 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

(b) Pursuant to an ordinary resolution passed in an extraordinary general meeting held on 12 April 2007, the company's authorised share capital was increased to $400,000,000 by the creation of an additional 2,000,000,000 ordinary shares of $0.1 each, ranking pari passu with the existing ordinary shares of the company in all respects.

Pursuant to the placing agreement entered into in February 2007 and subsequent revised placing agreement, the company issued the remaining of 12,734,000 new ordinary shares at a subscription price of $1.09 per share to independent investors (note 29(c)).

(c) In May 2007, convertible bonds totalling US$3,400,000 (approximately $26,595,000) were converted at conversion price of $1.00 per share into 26,594,800 ordinary shares of the company (note 23).

(d) In May 2007, 32,000,000 share options were exercised at an exercise price of $0.74 per share to subscribe for 32,000,000 ordinary shares in the Company. In June 2007, 42,000,000 share options were exercised at an exercise price of $0.614 per share to subscribe for 42,000,000 ordinary shares in the company.

(e) Pursuant to the sale and purchase agreement dated 25 May 2007, the Group acquired a controlling equity interest of 90% in Best Favour Investments Limited ("Best Favour") from the Vendor at a cash consideration of $330,000,000 in June 2007. As at 31 March 2007, the group placed a refundable deposit of $281,800,000 with the Vendor for such acquisition (note 18(b)). Best Favour is an investment holding company incorporated in the British Virgin Islands. Best Favour together with its subsidiaries is principally engaged in the retailing sale of causal wear throughout various major cities in the PRC.

Further details of the acquisition are set out below:

	$'000
Net assets acquired	
Non-current assets	
Fixed assets	15,922
Intangible assets	165,184
	181,106
Net current assets	102,438
Net assets acquired	283,544
Goodwill on acquisition	46,456
	330,000
Satisfied by:	
Cash paid to the Vendor	330,000

The initial accounting for the acquisition has not been finalization pending the finalisation of the valuation of fixed assets and intangible assets at acquisition date.

(f) In June 2007, the group disposed of an investment in unlisted equity shares with carrying value of $15,000,000 to an independent third party at a cash consideration of $15,000,000. No gain or loss arose from the disposal (note 16).

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2007, the directors consider the immediate parent and ultimate controlling party of the group to be Efulfilment Enterprises Limited, which is incorporated in British Virgin Islands. This entity does not produce financial statements available for public use.

36 ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain critical accounting judgements in applying the group's accounting policies are described below.

(i) Write Down of Inventories

The group performs regular review of the carrying amounts of inventories with reference to ageing analysis, historical consumption trends and management judgement. Based on this review, write down of inventories would be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market trend, actual sales may be different from estimation and profit or loss could be affected by the accuracy of this estimation.

(ii) Impairment of Goodwill

The group performs an annual review of the recoverable amount of goodwill with reference to its net selling price and value in use. Value in use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of goodwill may be different from its actual recoverable amount and profit or loss could be affected by accuracy of the estimations.

(iii) Provision for Income Tax

Provision for income tax is made based on the taxable income for the period as determined by the group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amount of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2007 and which have not been adopted in these financial statements.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

II. FINANCIAL AND TRADING PROSPECTS

Business Review

Results Summary

Revenue of the Group was HK$1,943 million for the year ended 31 March 2007 ("FY2007"), representing an impressive year-on-year growth of 17.4%. The increase was attributable to both our organic growth with existing premium brand-owners and customers and the development of the retail and brand management business in China.

The Group's overall gross profit for the year was HK$527 million as compared to HK$438 million for the year ended 31 March 2006 ("F4 2006") while profit from operations reached HK$279 million, representing an increase of 6.4% from the same period last year ("FY 2006").

The overall gross profit margin and net profit margin were 27.1% and 16.2% as compared to 26.5% and 8% respectively in FY2006. These improvements were as a result of continued efforts towards stringent cost control and the introduction of the high-margin retail business in China.

Net profit for the year attributable to equity holders was HK$315 million, representing a substantial year-on-year increase of 137.2%.

Dividend

The Board resolved that a final dividend of HK2 cents per share for the year ended March 31, 2007. Together with the interim dividends of HK1.2 cents, the total dividend for the year will be HK3.2 cents per share (FY2006: HK3.01 cents).

Apparel Manufacturing Business

The Group's core business of apparel manufacturing recorded a total turnover of HK$1,853 million, a healthy double-digit year-on-year increase of 12%. Casual wear and swimwear, the Group's two core products, contributed 77% and 21% of the total turnover respectively, while sportswear made up the remaining 2%. ODM and OEM businesses totally accounted for 84% of the Group's total turnover respectively, while the subcontracting business of Mudd USA accounted for the remaining 11%. The Group continued to maintain a balanced and global client base of premium brand-owners and customers, of which the top five customers accounted for 63% of the total turnover for the year. In addition, the US remained our major market, accounting for about 80% of our total turnover. It was followed by Europe and other regional markets, representing 12% and 8% of our total turnover respectively.

The increase in total turnover was mainly attributable to the outsourcing production strategy from US and EU brand-owners and the Group's scalable production facilities in both Cambodia and China. As of 31 March 2007, the Group's scalable and highly efficient production bases in Cambodia and China had a gross floor area of over 130,000 sq.m., a skilled workforce of over 19,000 employees and an overall utilization rate of over 97%. These figures highlight the fact that the Group had successfully executed its production expansion plan in both countries with a view to meeting increased demand for quality apparel from premium brand-owners and customers. As a result, the Group's total production capacity grew by approximately 21% to 2,857,000 dozens as of 31 March 2007, including 1,268,000 dozens of swimwear, 1,513,000 dozens of casual wear and 76,000 dozens of sportswear. Order flow was stable throughout the year and the overall sales volume reached 3,975,000 dozens, of which the sales volume of swimwear, casual wear and sportswear were 1,234,000 dozens, 2,677,000 dozens and 64,000 dozens respectively, representing respective year-on-year increases of 9%, 27% and 16%.

The Company's production volume and sales orders also saw growth as a result of the Group continuing to benefit from the prevailing trend of outsourcing to Asian countries despite challenges and uncertainties relating to the ongoing trade disputes between China and the US. This is because unlike other garment manufacturers who were and continue to be exposed to quota risks and other uncertainties brought about by concentrating their production facilities in China, the Company has successfully minimized this geographic risk through its unique production strategy of having dual production facilities in Cambodia and China. Currently, Cambodia is home to our core manufacturing facilities, accounting for more than 70% of the Group's total production capacity.

In addition, an abundant labour supply and relatively lower costs there have not only further sharpened the Group's competitive edge in the market but have enabled stable production and timely delivery of quality apparel products to our customers without any export quota or trade dispute issues. Finally, despite an upsurge in raw material costs, wage inflation and the appreciation of the Renminbi, the Group has maintained an effective control on costs.

Wholesale Business

The Group has a 50% stake in Sino Legend which directly holds about 72% of Mudd USA. With effectively a 36% indirect interest in Mudd USA, the Group engaged in the design and wholesale of girls' and young women's apparel under the brand name "Mudd" in the US.

The wholesale business ran smoothly during the year, mainly due to the improved market conditions. In April 2006, Iconix (NASDAQ: ICON) acquired marketing, licensing, brand management and trademarks of the "Mudd" brand worldwide (excluding Greater China) from Mudd USA. Upon the acquisition, Mudd USA continued to own exclusive rights in the design, manufacturing, sale and distribution of "Mudd" apparel in the Greater China region.

Retailing Business in China

As the China retail market continues to grow at a rapid pace coupled with the rising purchasing power of the country's population, we have leveraged on various market opportunities in order to achieve further expansion and profitability.

The performance of "Mudd" retail operation in the first year was well above Group expectations, making the retailing business an important growth driver for the Company. The Group recorded revenue of HK$89 million from Mudd retailing business.

As at 31 March 2007, the number of directly managed "Mudd" retail outlets reached a total of 60, covering more than 20 mainland cities nationwide. Of the outlets, 3 were flagship stores while 57 were shops. Geographically, the Group had outlets covered key cities in Mainland China, including Beijing, Shanghai, Tianjin, Shenyang, Chengdu, Chongqing, Wuhan and Nanjing.

With an eye on changing trends in consumer behavior and in order to better match our customers' buying habits, all "Mudd" stores are strategically located in fashionable shopping malls in residential and commercial areas that have high traffic, such as Beijing Oriental Plaza, New World Department Stores, Parkson Department Stores, Printemps-Shanghai and Jiu Guang Department Store. Our presence in these prime locations enables us to have a deeper market penetration and higher brand visibility.

The Group took a series of marketing initiatives to proactively promote the "Mudd" brand in China. Such initiatives include "come in and feel it" approach and point-of-sales promotions that aim to extend our market reach and boost our brand image cost-effectively.

Future Prospects

Although quotas have again been imposed by the US and Europe, China's textile and clothing exports continue to show healthy growth. However, other developing countries in Asia have started to gain ground thanks to significantly lower production costs. Cambodia, along with China, is one of the true winners in the region. In 2006, Cambodia took advantage of a strong rise in shipments (in US$ terms) to both EU and US markets with year-on-year growth of 19% and 25% respectively, according to Global Trade Atlas and Eurostat.

With a backdrop of escalating fuel prices, an appreciating Renminbi and a reduction in tax rebates for PRC export products, the management will continue to closely monitor the situation in the coming years. However, as market consolidation and global outsourcing trends further intensify, the management remains extremely positive and optimistic with regard to the Company's business performance and future outlook.

Looking ahead, the Company will continue to expand its production capability and improve its production efficiency in Cambodia and China in order to meet market demands. The Group will also upgrade its production plants and machinery to enhance product offerings and production efficiency. All of these additions will help to boost the manufacturing capabilities and operating efficiency of the Group so as to sustain its competitive advantage and future growth.

In addition, the management will continue to optimize its production mix in both Cambodia and China and fully capitalize on the advantages it enjoys in Cambodia, such as a tariff and quota-free environment and low-cost production.

In order to accommodate China's dynamic apparel retailing market, the Group will focus on achieving high performance standards and executing timely store expansion initiatives there.

Following the success of its "Mudd" outlets, the Group added another up-and-coming apparel brand "XXEZZ" to its retailing business in China through the acquisition of the Best Favour Group in June 2007 at a consideration of HK$330 million. The Best Favour Group is principally engaged in the design and management of its "XXEZZ" brand of smart casual wear, which is one of the leading apparel brands in the PRC. With over 200 self-operated and franchised retail apparel outlets, covering all major PRC northeastern cities, such as Beijing, Shanghai, Tianjin, Dalian and Harbin, the "XXEZZ" brand already has a significant presence.

On 9 November 2007, the Group entered into two agreements with Shenzhen Mogen International Premier Brand Membership Club Limited ("Shenzhen Mogen") for the sales of a range of merchandize of the "Mudd" and "XXEZZ" brands in selected stores operated under the ITAT Group.

According to Shenzhen Mogen, ITAT Group is an organization which operates chain and department stores selling clothing and fashion apparel for the ITAT and other international brand names. Shenzhen Mogen is a subsidiary of the ITAT Group which has established and operates the chain and department stores. In the PRC, it has over 590 stores selling clothing and fashion apparel, 70 membership club department stores and 3 unique ITAT fashion flagship stores.

The Group is of the view that entering into the agreements with Shenzhen Mogen will provides an efficient and effective platform for the Group to further expand its retail sales business in the PRC.

Finally, the Group will continue to deploy its efforts towards enhancing and enriching its product portfolio in order to better satisfy the demands of its targeted segments and bring young and trendy lifestyle fashions at affordable prices to a new generation of consumers in Greater China.

As part of its business plan, the Group will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group.

It is the current intention of the Group to raise additional funds by means of (a) the issue of new Shares which may include rights issues, open offers, and the placing of new Shares; (b) the issue of convertible debt securities; and (c) obtaining new and/or additional banking facilities, to be used for expanding its retail business in the PRC as well as additional working capital of the Group. Further announcements will be made by the Company as and when appropriate.

Liquidity and Financial Resources

As at 31 March 2007, the Group had borrowings amounting to HK$1,018 million. Based on the total borrowings to shareholders' equity, the gearing ratio of the Group was 64.61% as at 31 March 2007.

Capital Structure

As at 31 March 2007, the authorised share capital of the Capital was HK$200 million divided into 2,000,000,000 Shares with a par value of HK$0.10 each, of which 2,000,000,000 Shares were issued and fully paid or credited as fully paid.

Pursuant to a resolution passed by Shareholders at an extraordinary general meeting of the Company held on 12 April 2007, the Company has increased its authorised share capital to HK$400,000,000 divided into 4,000,000,000 shares by creating an additional 2,000,000,000 unissued shares.

Contingent Liabilities

(a) The Hong Kong Inland Revenue Department ("HKIRD") is carrying out a review of certain taxation affairs of the Group, including intercompany transfer pricing arrangements, claims for offshore manufacturing profits and depreciation allowances of plant and machinery used outside Hong Kong in prior years. Depending on the outcome of such review, the group may become liable to pay additional tax and/or penalties up to three times any tax underpaid, should the group fail to make a valid defence against any challenge by the HKIRD. The Group has carried out a review of its tax position and based on the review, the Group has made additional provisions where required. The Directors are of the view that it is unlikely that the Group may become liable to any penalty or further taxes.

(b) A writ of summons dated 29 February 2000 was filed by a supplier of the Group against Tack Fat Swimwear Manufacturing Limited ("Tack Fat Swimwear"), a wholly-owned subsidiary of the company, claiming a sum of US$202,850 (equivalent to HK$1,582,000) for an alleged breach of the payment terms under certain purchase contracts. Based on the advice obtained from the legal advisers acting for Tack Fat Swimwear, the Directors are of the view that Tack Fat Swimwear has a valid defence and counterclaim against the supplier. Consequently, no provision for such litigation or the associated legal costs has been included in the financial statements for the year ended 31 March 2007.

(c) As at 31 March 2007, the Company issued letters of guarantee in respect of bank facilities totalling $1,078,050,000 (2006: $1,366,405,000) and finance lease obligations totalling $6,446,000 (2006: $13,065,000) granted to certain wholly-owned subsidiaries of the Company.

Save as disclosed above, the Group did not have any material contingent liabilities as at 31 March 2007.

Employees and Remuneration Policies

As at 31 March 2007, the Group employed over 19,000 full time employees in Hong Kong, Cambodia and the PRC. The Group remunerates its employees based on performance and experience.

Charge on Group Assets

As at 31 March 2007, none of the owned fixed assets of the Group were utilized as security for the Group's borrowings.

Exposure to Fluctuations in Exchange Rates

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi, which were relatively stable during the year. The Group is not exposed to material exchange risks.

III. OTHERS

1. Effects of the Agreement

The effects to the balance sheet and profit and loss account of the Group upon completion of the Agreement will be as follows:

(a) an increase in cash received of US$16 million (or approximately HK$125 million);

(b) a decrease in "other financial assets", which is classified as a non-current asset, of US$10 million (or approximately HK$78 million);

(c) a decrease in "interest in associates", which is classified as a non-current asset, of approximately HK$546 million; and

(d) an increase in "Intangibles", which represents the value of the Trade Marks in Greater China and will be classified as a non-current asset, of approximately HK$651 million.

There will be no gain or loss resulting from the redemption of the 600,000 Preferred Shares. Furthermore, there will be no net effect to the profit and loss account of the Group with respect to the waiver of the Group's right in claiming the Compensation as the estimated amount of the Compensation will be recorded as an income while the waiver of claiming the Compensation will be recorded as a loss.

The Trade Marks in Greater China will be carried at the valued amount of HK$651 million and accordingly, there will be a negative goodwill of approximately HK$151 million arising from the valuation of the said trade marks.

Reference is made to Appendix IV which contains the pro forma information of the Group.

IV. MATERIAL CHANGE

The Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 March 2007, the date on which the latest published audited consolidated financial statements of the Company were made up.

V. INDEBTEDNESS

At the close of business on 30 September 2007, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK$966 million, comprising:

1. (i) approximately HK$9 million overdraft from a bank in Hong Kong;

   (ii) approximately HK$4 million tax loan from a bank in Hong Kong, which carries interest rate at 2.8% per annum and is repayable by monthly installments;

   (iii) approximately HK$52.7 million and approximately US$11 million (equivalents to approximately HK$85.8 million) trust receipt loans from five banks in Hong Kong;

   (iv) approximately HK$9 million bank loan which is repayable within one year;

   (v) approximately HK$6 million under a finance lease from a bank in Hong Kong;

   (vi) approximately HK$480 million syndicated loans from eleven syndicated lenders, which carries interest rate at HIBOR + 0.65% per annum and matures in February 2009; and

   (vii) approximately HK$198 million syndicated loan from a bank in Macau, which is secured by a share charge over Best Favour Investments Limited (a 90% subsidiary of the Company), matures in June 2009 and carries interest rate at HIBOR +1.3% per annum; and

   all of which are secured by corporate guarantee issued by the Company; and

2. unlisted and unsecured redeemable convertible bonds approximately US$15.6 million (equivalent to approximately HK$121 million) under a bond placement agreement dated 13 September 2004, bearing interest at 1% per annum payable in quarters to independent investors.

To the best understanding and knowledge of the Directors, the Directors confirm that there have been no material changes to the indebtedness position of the Group since 30 September 2007 up to the Latest Practicable Date.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, debt securities (issued and outstanding, or authorised or otherwise created but unissued), loans, bank overdrafts, or other borrowings or similar indebtedness, hire purchase commitments or finance leases, liabilities under acceptances or acceptance credits, or any guarantees or other material contingent liabilities outstanding at the close of business on 30 September 2007.

VI. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that, in the absence of unforeseen circumstances and after taking into account the existing banking facilities available and the existing cash and bank balances (including internally generated funds), the Group has available sufficient working capital for its requirements for the next 12 months from the date of this circular.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from Grant Sherman, an independent valuer, in connection with its valuation of the Trade Marks to be owned by Company.

GRANT SHERMAN APPRAISAL LIMITED

10 December 2007

The Board of Directors
Tack Fat Group International Limited
13/F Roxy Industrial Centre
58-66 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

Dear Sirs,

In accordance with your request and authorization, we have performed an appraisal of the exclusive rights (including ownership, propriety, licensing or other rights) of the Mudd® family of Marks (the "Trade Marks") in the PRC, Hong Kong, Macau and Taiwan ("Greater China"). Marks are defined to be all names, corporate names, domain names, fictitious names, trademarks, trademark applications, trademark registrations, service marks, service mark applications, service mark registrations, trade names, brand names, product names, logos, trade dress, symbols, slogans or other designations owned or used by Mudd (USA) LLC ("Mudd USA"), in commerce or otherwise, in connection with the business conducted by Mudd USA and its operations, prospects and condition (financial and otherwise), solely as it relates to the marketing, licensing and/or managing the Mudd® family of Marks and related names for use in connection with a wide variety of goods and services in Greater China (including use of Mudd® family of Marks and related names in connection with the manufacture and sale of women's and children's jeans wear).

This letter identifies the assets appraised, describes the basis of valuation and assumptions, explains the valuation methodology and presents our conclusion of value.

The purpose of this appraisal is to express an independent opinion of the fair value of the Trade Marks as at 31 October 2007 (the "Appraisal Date"). It is our understanding that this appraisal is used for acquisition purpose only.

I. INTRODUCTION

Background of the Transaction

Tack Fat Group International Limited ("Tack Fat" or the "Company") and its subsidiaries (collectively referred to as the "Group") entered into the Settlement Agreement dated 13 October 2007 (the "Agreement") and the Agreement was entered into among Newest Global Limited (a wholly owned subsidiary of the Company), the Company, Lung Investment Holding, LLC, Mudd USA and Sino Legend Limited ("Sino Legend") in relation to the redemption of all the class A preferred shares of US$0.01 each in the share capital of Sino Legend held by the Group, which shall be redeemed by Sino Legend ("Redemption"). The Agreement has been entered into in order to resolve all the outstanding issues among the parties involved. Upon completion of the Redemption pursuant to the terms and conditions of the Agreement, the Group will receive US$16,000,000 in cash and become the beneficial owner of a new company to be incorporated in the British Virgin Islands which will own the Trade Marks in Greater China and the right of Mudd USA to negotiate in good faith to enter into commercially reasonable arrangement (i.e. joint venture) to exploit the Trade Marks in Asia (other than Greater China) and the Middle East providing for an equal sharing of costs and royalties with Iconix Brand Group, Inc. ("Iconix") pursuant to the agreement entered into between Mudd USA and Iconix dated 31 March 2006.

The Company

Tack Fat is a company incorporated in the Cayman Islands and its issued ordinary shares are listed on the main board of The Stock Exchange of Hong Kong Limited. The Group is the world's leading player in the apparel industry. Currently, the Group operates in two vertical apparel sectors: (1) branding; and (2) apparel manufacturing. Its swimwear division is the largest swimwear supplier in the world. The Group has an extensive production network, including manufacturing plants located in China and Cambodia. The Group is also the largest foreign investors and employer in Cambodia.

Mudd®

Mudd® is well recognized and received by the juniors/girls in the age group of 7-24 in the North America and Europe, being the most favorite jean brand for teenagers in the U.S. market. The brand was first established in the U.S., with a history of around 10 years. Currently, the major target market segment for Mudd® products is the female age group ranging from 14 to 24. Mudd® products are now available for sale in numerous well-known chained stores and shopping malls in the U.S., like JC Penny, Dillard's, Bloomingdales, Sears, Kohls, Macys, May and so on.

In April 2006, Iconix has already become the business partner of the Group and Mudd® will be aggressively marketed and promoted in North America under the strong brand management capabilities of Iconix. Upon completion of the Agreement, the Group will continue to own in the Trade Marks in Greater China and will leverage its experience in the industry to further expand its retail business in mainland China.

In the PRC, the Group plans to cooperate with Mudd USA in opening Mudd® retail stores to establish extensive network and boost its sales performance there. The management of the Group (the "Management") believes that the retail business of Mudd® will benefit from the increasing market awareness and brand equity of Mudd® globally. Going ahead, the Group plans to seek for more alliances through various kinds of marketing tactics to distribute its products and enhance both the brand awareness and sales level of Mudd® products. The Management expects that this business segment will have promising prospects and will become another growth engine of the Group.

II. INDUSTRY OVERVIEW

Since 2005, consumer expenditure in China has maintained a double digit growth. For the first half of 2007, the amount of consumption expenditure sustained a real growth rate of about 12% in the mainland. According to historical records, national consumption level has a high correlation to the level of GDP per capita. As a result, the growth engine of the retail sector in China will depend on the future growth of GDP per capita. With the support of the sustainable high growth rate in China'a GDP, market consensus shows that the estimated annual compounded growth rate in the coming 5 to 10 years will be over 10% for the retail sector in China.

Another key factor determining the size of the retail sector, in particular for the market niche of fashionable apparels for female teenagers, is the percentage of population being classified as middle income group. Presently, the number of middle income group is increasing rapidly though its actual percentage in terms of total population is only close to about 20%. However, some economists forecast that nearly half of families in China will achieve an income level of middle class group by 2020. The market potential of fashionable apparels in Greater China is promising in view of the surging demand in mainland China.

In view of the strong economic growth ahead, it is expected that the retail sector in China will enter into another phase of golden growth period. With sustainable growing income, consumers will be more willing to spend on apparels or even luxury goods. More consumers will look for quality goods, in particular the ones with reputable brand names which can give an outstanding feeling and stylish image to the consumers. Consequently, we believe that the products with a good brand name like Mudd® will enjoy comparative advantages in expanding their market share and maintaining customer loyalty.

III. BASIS OF VALUATION AND ASSUMPTIONS

Trademark

A trademark is an identifiable intellectual property which takes the form of a name, sign, symbol, logo, design or any combination thereof. It is intended to identify the goods or services of one concern, and to differentiate them from their competitors. The trademark represents a separately identifiable intangible asset which is capable of being disposed of without selling the underlying business as a whole or the other assets of the business. The Group's continuing profitability will be due, in part, to the existence of this important piece of intangible assets.

Fair Value

We have appraised the Trade Marks as of the Appraisal Date on the basis of *fair value*, which is defined as "The amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale."

For this appraisal, fair value is established on the premise of *continued use*. Under the continued use premise, it is assumed that the buyer and the seller would be contemplating retention of the assets as part of the current operations. An estimate of fair value derived on the premise of continued use does not represent the amount that might be realized from piecemeal disposition of the assets in the marketplace or from an alternative use of the assets. The premise of continued use is generally appropriate when:

– The assets are fulfilling an economic demand for the service they provide or which they house.

– The assets have a significant remaining useful life expectancy.

– Responsible ownership and competent management may be expected.

– Diversions of the assets to an alternative use would not be economically feasible or legally permitted.

– Continuation of the existing use by present or similar users is practical.

– Due consideration is given to the assets' functional utility for their present use.

– The assets' economic utility is duly considered.

General Valuation Assumptions for the Trade Marks:

Our investigation has included discussions with the Management concerning the history and nature of the business ("the Business"), operations and prospects of the Group and a review of the audited and unaudited financial statements, as well as other records and documents provided by the Management. The historical data have been utilized without further verification as correctly representing the results of the operations and the financial condition of the enterprise. In addition, a study of market conditions and an analysis of published information concerning the industry were used to evaluate the Group's past performance and to assess its ability and capacity to generate future investment returns.

Before arriving at our opinion of value, we have considered some principal factors that include, but are not limited to, the following:

- The nature of the business and the history of the Group from its inception;

- The economic outlook in general and the condition and outlook of the specific industry in particular;

- Earnings capacity of the Group;

- The business and financial risks of the Group;

- The Management's policies and strategies for the future;
- Reputation of the Group, including the Management;
- The extent, condition, utility and capacity of the facilities and equipments utilized by the business;
- Reputation and market potential of the Trade Marks;
- Existence of assets of an intangible nature;
- Potential of the markets served; and
- The investment market's attitude toward securities with similar characteristics, as measured by market performance, and alternative investment opportunities available to an investor.

Due to the changing environment in which the Group is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the Trade Marks. The major assumptions adopted in this appraisal are:

- There will be no material changes in the existing political, legal, fiscal and economic conditions in Greater China in which the Group carries on its business;
- Interest rates in Greater China will not differ materially from those presently prevailing;
- There will be no material changes in the current taxation law in Greater China in which the Group operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Any management changes or changes in ownership of the Group in the future will not have adverse effects on the long term profitability of the Group's operations;
- The intellectual property of the Group's products and services will not be infringed upon in a manner which would materially affect the economic benefits attributable to the Group;
- Industry trends and market conditions for related industries will not deviate significantly from economic forecasts; and
- The labor market conditions in Greater China will not differ materially from those presently prevailing.

IV. VALUATION METHODOLOGY

In our appraisal of the Trade Marks, we were furnished by the Management for the purpose of this appraisal, with some historical financial information of the Group and Sino Legend as well as other relevant records and documents. In arriving at our opinion of value, we have relied upon such records and documents, as well as financial and business information from other sources.

To develop our opinion of value for the Trade Marks, we considered the three generally accepted approaches to value: the Cost Approach, the Market Approach and the Income Approach. We consider that Cost Approach is not applicable to this appraisal as it cannot reflect the fair value of the Trade Marks which is driven by strong growth in the retail sector. For the Income Approach, we consider that it is not reliable and accurate enough to draw a conclusion of the fair value of the Trade Marks without provision of financial projection by the Management. Based on the information provided by the Management and market transactions data from public sources, we concluded that the most appropriate method for valuing the Trade Marks in this appraisal is Market Approach.

The Market Approach

The market approach, also referred to as the sales comparison method, is used to estimate value through the analysis of recent sales of comparable properties. In the valuation of the subject asset, similar properties that have recently sold or are offered for sale in the current market are analyzed and compared with the asset being appraised.

The market approach provides an indication of value by comparing the prices at which similar properties have exchanged between willing buyers and sellers. When the market approach is used, an indication of the value of a specific item of the asset can be gained from looking at the prices paid for comparable properties. Requirements for successful use of this approach include:

1. The existence of an active market

2. Past transactions of comparable properties

3. Access to pricing information

4. Arm's length transactions between independent parties

Recent Market Transactions

In this appraisal, we have found two relevant market transactions regarding trademarks/ exclusive distribution rights of two brand names, which have similar or even identical brand reputation and market segment as Mudd®. Details are shown as below:

Case I: Tommy Hilfiger Asia-Pacific Ltd

Date of Transaction:	24 August 2006
Acquirer:	Dickson Concepts (International) Ltd (Stock Code: 0113.HK)
Acquired Asset:	100% interest in Tommy Hilfiger Asia-Pacific Ltd
Total Purchase Consideration:	HK$396 million
Estimated Useful Life of Exclusive Distribution Rights of Tommy Hilfiger:	7.6 years only

As shown in Dickson's audited report, the intangible asset was booked at an initial amount of HK$322.6M, which represents the portion of the purchase consideration attributable to the exclusive distribution rights for Tommy Hilfiger apparel and other approved merchandise in HK, Taiwan, Singapore, Malaysia, Macau and certain cities in China ("Exclusive Distribution Rights"). In order to derive the perpetual value of the exclusive distribution rights of Tommy Hilfiger, we added a residual value representing its economic value after 7.6 years to its intangible asset value on book that represents only a life of 7.6 years.

Case II: Mudd Family of Trade Marks Worldwide (Excluding Greater China)

Date of Transaction:	11 April 2006
Acquirer:	Iconix Brand Group, Inc. (NASDAQ: ICON)
Acquired Asset:	Mudd family of Trade Marks worldwide (excluding Greater China) ("Mudd Worldwide")
Total Purchase Consideration:	HK$732.4 million
Useful Life of Trade Marks	Perpetual

As mentioned before, the purchase consideration of HK$732.4 million represents the value of Mudd Worldwide. Therefore, we made appropriate adjustments to transform the consideration of HK$732.4 million into the fair value of the Trade Marks that will create future economic benefit in Greater China, instead of the markets in North America or Europe.

In our valuation, we have considered the major economic differences between the markets of Greater China and the markets covered by Mudd Worldwide, including the U.S., Canada and European Union (the "Western Countries"). We have adopted several appropriate factors to determine the value of the Trade Marks, and specifically, these major factors include: (1) differences in the existing target market size of female age group ranging from 7 to 24 between Greater China and the Western Countries; (2) differences between Greater China and the Western Countries in their purchasing power of the income group being classified as middle class family, who can afford to purchase fashionable apparels like Mudd®; and (3) different operating margin of Mudd® in Greater China and the Western Countries.

Before drawing our conclusion of value of the Trade Marks, we consider that the transaction of Case II represents an identical brand as the subject intangible asset under this appraisal (i.e. Mudd®). Therefore, we believe that it is more appropriate to assign a higher weighting of 60% to the fair value of Trade Marks derived from Case II and a lower weighting of 40% to the fair value of Trade Marks derived from Case I. A summary of the adjusted values of the above two market transactions are as follows:

	Weighting	**Adjusted Fair Value**	**Weighted Fair Value**
Fair value of the Exclusive Distribution Rights assuming perpetuity	40%	HK$599.6M	HK$239.8M
Adjusted fair value of Mudd Worldwide to reflect the economic value of the Trade Marks in Greater China	60%	HK$670.5M	HK$402.3M
Fair Value of Trade Marks as of 31 October 2007:			**HK$642.1M**

V. CONCLUSION OF VALUE

Based on the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that, as at 31 October 2007, the fair value of the Trade Marks is reasonably stated by the amount of **HONG KONG DOLLARS SIX HUNDRED FORTY TWO MILLION ONE HUNDRED THOUSAND (HKD642,100,000) ONLY.**

The conclusion of value is based on generally accepted valuation procedures and practices that rely extensively on the assumptions and the consideration set out in this letter. We have made no investigation of and assume no responsibility for the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interest in the Company, the Trade Marks or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, *ASA*
Managing Director

Kelvin C.H. Chan, *FCCA, CFA*
Associate Director

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraisal (Business Valuation) and he has been conducting business valuation and intangible assets in the Greater China region for various purposes since 1988. Mr. Kelvin C.H. Chan is a CFA Charterholder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI, an independent valuer, in connection with its valuation of the Trade Marks to be owned by the Company.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

10 December 2007

The Directors
Tack Fat Group International Limited
13th Floor, Roxy Industrial Centre
Nos. 58 – 66 Tai Tin Pai Road
New Territories
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Tack Fat Group International Limited (referred to as the "Company") for us to provide our opinion on the market value of the trademark of Mudd® (referred to as the "Trademark") owned by the Company as at the date of valuation on 31 October 2007.

This report describes the background of the Company, a brief description of the Trademark, a brief industry overview and the basis of valuation & assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

PURPOSE OF VALUATION

We understand that the purpose of our valuation is to express an independent opinion on the market value of the Trademark as at 31 October 2007 for your acquisition reference purposes only.

BASIS OF VALUATION

Our valuation was carried out on the basis of market value. Market value is defined as *"the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*.

BACKGROUND OF THE COMPANY

Headquartered in Hong Kong, the Company is the world's leading player in apparel sectors with over 15,000 staff globally. Its swimwear division is the largest swimwear supplier in the world.

Since 2004, the Company has started to invest in vertical global expansion. With extensive production network includes manufacturing plants located in China and Cambodia. The Company is also the largest foreign investor and employer in Cambodia.

Reputed for its notable one-stop service ability, the Company takes pride in its impressive long-term partners of over 30 renowned international brand names and department stores, such as Walmart, Target, Sears, Wrangler, Reebok, Calvin Klein, Speedo, Nike etc.

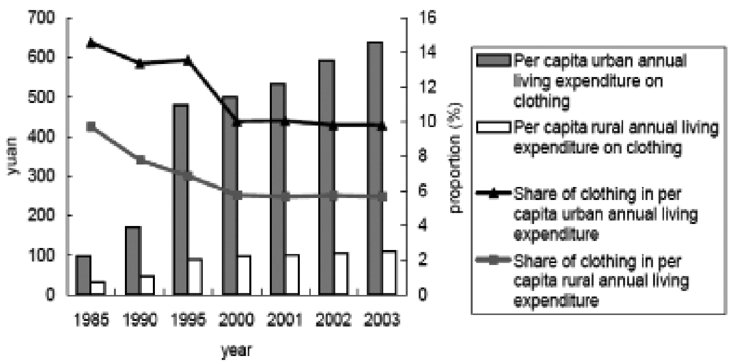
BRIEF DESCRIPTION OF THE TRADEMARK

A trademark is a type of intellectual property, and typically comprises a name, word, phrase, logo, symbol, sound, design, image, or color that distinguishes goods and services from those manufactured or sold by others and to indicate the source of the goods.

Mudd® is a well-known brand in apparel and accessories products. The trademark of Mudd® owned by the Company covers only the Greater China (i.e. China, Hong Kong and Macau). Trademarks of Mudd® in regions beyond the Greater China is not subject to this valuation.

BRIEF INDUSTRY OVERVIEW

With a population exceeding 1.3 billion people and the sharp increase in consumption by Mainland residents, China has become one of the largest consumer markets in the world. The improvements in income level and living standard have raised Mainland consumers' demands for clothing in terms of quantity, quality and design significantly. The acceleration of economic growth will further boost apparel consumption. The potential of the apparel market in China is immense. The following figure shows the spending on clothing in China has been increasing rapidly since 1985.



Source: National Bureau of Statistics of PRC

Moreover, the fashion trend on the Mainland is moving towards a more causal style. Many enterprises in China are relaxing their dressing requirements and shifting to a "business casual" dress code. The sales of casual wear such as denim wear, jackets and T-shirts are also on the rise as people prefer to dress in a more comfortable and relaxing way in leisure time. According to the China National Information Center, the total quantity of denim wear sold in major department stores in 2004 rose by 26.3%, jackets by 23.6%, T-shirts by 22.7% compared to ladies' wear by 19.0%, children's wear by 16.57% and knitted underwear by 5.5%.

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the financial and operational data related to the Trademark, which was provided by the senior management of the Company.

The valuation of the Trademark required consideration of all pertinent factors affecting the economic benefits of the Company and its abilities to generate future investment returns. The factors considered in the valuation included, but were not limited to the following:

- The business nature of the Company;
- The financial and operational information related to the Company;
- The specific economic environment and competition for the market in which the Company operates;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks related to the Company, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation work for the Trademark, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Interviewed with the senior management of the Company;
- Obtained all relevant financial and operational information of the Company;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to the Company, which were provided by the senior management of the Company;

- Prepared a business financial model to derive the indicated value of the Trademark; and

- Presented all relevant information on the background of the Company, a brief description of the Trademark, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which the Company is operating, a number of assumptions had to be established in order to sufficiently support our concluded opinion of value of the Trademark. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Company currently operates or will operate, which will materially affect the revenue attributable to the Trademark;

- There will be no major changes in the current taxation law in the jurisdiction where the Company currently operates or will operate, which will materially affect the revenue attributable to the Trademark, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- Exchange rates and interest rates will not differ materially from those presently prevailing;

- The financial projection in respect of the Trademark was prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful consideration by the senior management of the Company; and

- Economic conditions will not deviate significantly from economic forecasts.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Trademark. They were the *market approach*, the *cost approach* and the *income approach*.

The *market approach* provides indications of value by comparing the subject to similar assets that have been sold in the market.

The *cost approach* provides indications of value by studying the amounts required to recreate the asset for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the asset.

The *income approach* is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

We have considered that the *income approach* is not appropriate to value the Trademark, as there are insufficient historical and forecasted financial data of the Trademark. The *cost approach* is also regarded inadequate in this valuation, as this approach does not take future growth potential of the Trademark into consideration. Thus, we have determined that the *market approach* is the most appropriate valuation approach for this valuation.

During the valuation, we have selected four acquisition transactions of trademarks that had similar business operation and determined their multiples of acquisition price to royalty revenue. Then we have applied those price multiples to the related financial data of the Company and determined our concluded value of the Trademark.

The four selected acquisition transactions are the following:

Trademark	**:**	**Rampage®**	**Mudd® Worldwide**	**Danskin®**	**Starter®**
Nature	:	Casual-wear	Casual-wear	Sportswear	Sportswear
Announced Date	:	19 Sep. 2005	3 Apr. 2006	22 Feb. 2007	15 Nov. 2007
Acquisition Price (US$)	:	$45,900,000	$92,900,000	$70,000,000	$60,000,000
Royalty Revenue (US$)	:	$10,000,000	$19,000,000	$15,000,000	$18,000,000
Acquisition Price to Royalty Revenue Multiple	:	4.59	4.89	4.67	3.33
Median	**:**	**4.63**			

We have adopted the median of acquisition price to royalty revenue multiple of four selected acquisition transactions, which is 4.63, to estimate our concluded value based on the projected royalty revenue of US$30.03 million generated by the Trademark in fiscal year 2011. The calculated value based on the median of acquisition price to royalty revenue multiple was then discounted back to the date of valuation with a calculated discount rate.

Weighted Average Cost of Capital ("WACC") was adopted as the discount rate for the valuation. WACC comprises of two components: cost of equity and cost of debt.

Cost of equity takes into account two different types of risks – systematic risks and non-systematic risks. Risks that are correlated with the return from the stock market are referred to as systematic risks. Other risks that are company-specific are referred to as non-systematic risks. We determined the rate of return for systematic risks based on the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks but provides no excess return for non-systematic risks.

Under the CAPM, the appropriate rate of return is the sum of the risk-free rate and a related beta times the market risk premium. We adopted the yield of the 4-year China Government Bond as at the date of valuation as the risk-free rate, which was 3.83%. The beta for the Company is 0.887. Besides, the market risk premium we adopted in the valuation was 8.09%.

In respect of non-systematic risks, we considered the size difference (a company-specific risk) between the Company and the selected comparable companies (with reference to "Risk Premia over Time Report: 2006", published by Ibbotson Associates), and determined that a size premium of 3.95% was adopted.

For the cost of debt, the interest rate of bank loans of 7.65% was adopted which was extracted from Bloomberg. The WACC was then calculated as 15.62%.

REMARKS

For the purpose of this valuation and in arriving at our opinion of value, we referred to the information provided by the senior management of the Company to estimate the value of the Trademark. We have also sought and received confirmation from the Company that no material facts were omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

Unless otherwise stated, all money amounts stated are in United States Dollars (US$).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the Trademark as at 31 October 2007 was **US$84,700,000 (UNITED STATES DOLLARS EIGHTY FOUR MILLION AND SEVEN HUNDRED THOUSAND ONLY).**

We hereby certify that we have neither present nor prospective interest in the Company, the Trademark or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ),
MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET,
MIEEE, MASME, MIIE
Director

Notes:

Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 15 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Trademark worldwide.

The following is an extract of the report of the unaudited pro forma financial information of the Group as included in the circular of the Company dated 10 December 2007.

NCN CPA Limited
20th Floor
Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

10 December 2007

The Directors
Tack Fat Group International Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Tack Fat Group International Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 104 to 108 in Appendix IV to the circular dated 10 December 2007 (the "Circular") in connection with the settlement agreement dated 13 October 2007 entered into among Newest Global Limited, a wholly-owned subsidiary of the Company, Lung Investment Holding, LLC, Mudd (USA) LLC and Sino Legend Limited (the "Agreement") in relation to the redemption of the 600,000 preferred shares in the share capital of Sino Legend Limited (the "Interest in Sino Legend") held by the Group (the "Redemption").

The unaudited pro forma financial information has been prepared by the directors of the Company (the "Directors"), for illustrative purposes only, to provide information about how the Agreement and the Redemption might have affected the relevant financial information in respect of the Group.

RESPONSIBILITIES

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with Rule 4.29 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 ("HKICPA").

It is our responsibility to form an opinion, as required by Rule 4.29 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 work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Report on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma 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 on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group (as defined in the Circular) as at 31 March 2007 or at any future dates; or

– the financial results and cash flows of the Group (as defined in the Circular) for the year ended 31 March 2007 or for any future periods.

OPINION

In our opinion:

(a) the accompanying 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 Rule 4.29(1) of the Listing Rules.

Yours faithfully,
For and on behalf of
NCN CPA Limited
Certified Public Accountants
Hong Kong
Choi Man Chau, Michael
Director
Practising Certificate Number P01188

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

(I) Unaudited Pro Forma Balance Sheet of the Group

The following is the unaudited pro forma balance sheet of the Group prepared to demonstrate the effect of the Agreement and the Redemption on the consolidated balance sheet of the Group as if the Agreement and the Redemption had been completed as at 31 March 2007.

The unaudited pro forma balance sheet was prepared to reflect the effect of the Agreement and the Redemption based on the audited consolidated balance sheet of the Group as at 31 March 2007 extracted from its annual report for the year ended 31 March 2007, as set out in Appendix I of this Circular.

The unaudited pro forma balance sheet 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 at any future date.

	Audited consolidated balance sheet of the Group as at 31 March 2007	**Pro forma adjustments**		**Unaudited pro forma balance sheet of the Group as at 31 March 2007**
	HK$'000	*HK$'000*	*Note*	*HK$'000*
Non–current assets				
Fixed assets				
– Other property, plant and equipment	363,869			363,869
– Interests In leasehold land held for own use under operating leases	102,410			102,410
	466,279			466,279
Intangibles – Trade Marks	–	651,000	*(1)*	651,000
Interest in associates	546,497	(546,497)	*(1)*	–
Other financial assets	94,100	(78,000)	*(1)*	16,100
	1,106,876			1,133,379
Current assets				
Inventories	313,670			313,670
Trade and other receivables	833,108			833,108
Cash and cash equivalents	340,335	124,800	*(1)*	465,135
	1,487,113			1,611,913
Current liabilities				
Trade and other payables	108,099			108,099
Bank loans and overdrafts	287,188			287,188
Obligations under finance lease	6,914			6,914
Current tax payable	34,227			34,227
	436,428			436,428
Net current assets	1,050,685			1,175,485
Total assets less current liabilities	2,157,561			2,308,864
Non-current liabilities				
Bank loans	384,000			384,000
Convertible bonds	157,720			157,720
Obligations under finance leases	37,932			37,932
Provision for long service payments	1,800			1,800
Deferred tax liabilities	237			237
	581,689			581,689
Net assets	1,575,872			1,727,175
Capital and reserves				
Share capital	200,000			200,000
Reserves	1,375,872	151,303	*(3)*	1,527,175
Total Equity	1,575,872			1,727,175

(II) Unaudited Pro Forma Income Statement of the Group

The following is the unaudited pro forma income statement of the Group prepared to demonstrate the effect of the Agreement and the Redemption on the consolidated income statement of the Group as if the Agreement and the Redemption had been completed as at 1 April 2006.

The unaudited pro forma income statement was prepared to reflect the effect of the Agreement and the Redemption based on the audited consolidated income statement of the Group for the year ended 31 March 2007 extracted from its annual report for the year ended 31 March 2007, as set out in Appendix I of this Circular.

The unaudited pro forma income statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Group for any future financial periods.

	Audited consolidated income statement of the Group for the year ended 31 March 2007	**Pro forma adjustments**		**Unaudited pro forma income statement of the Group for the year ended 31 March 2007**
	HK$'000	*HK$'000*	*Note*	*HK$'000*
Turnover	1,942,545			1,942,545
Cost of sales	(1,415,714)			(1,415,714)
Gross profit	526,831			526,831
Other revenue	9,167			9,167
Other net loss	(840)			(840)
Distribution costs	(208,440)			(208,440)
Administrative expenses	(47,634)			(47,634)
Profit from operations	279,084			279,084
Finance costs	(65,839)			(65,839)
Share of profits less losses of associates	114,084	(114,084)	*(2)*	–
Negative goodwill	–	151,303	*(3)*	151,303
Profit before taxation	327,329			364,548
Income tax	(12,690)			(12,690)
Profit attributable to equity shareholders of the Company	314,639			351,858

(III) Unaudited Pro Forma Cash Flow Statement of the Group

The following is the unaudited pro forma cash flow statement of the Group prepared to demonstate the effect of the Agreement and the Redemption on the consolidated cash flow statement of the Group as if the Agreement and the Redemption had been completed as at 1 April 2006.

The unaudited pro forma cash flow statement was prepared to reflect the effect of the Agreement and the Redemption based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2007 extracted from its annual report for the year ended 31 March 2007, as set out in Appendix I of this Circular.

The unaudited pro forma cash flow statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the cash flows of the Group for any future financial periods.

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2007	**Pro forma adjustment**		**Unaudited pro forma cash flow statement of the Group for the year ended 31 March 2007**
	HK$'000	*HK$'000*	*Note*	*HK$'000*
Operating activities				
Profit before taxation	327,329	(114,084)	*(2)*	364,548
		151,303	*(3)*	
Adjustments for:				
– Depreciation	52,934			52,934
– Amortisation of land lease premium	2,377			2,377
– Amortisation of other borrowing costs	3,434			3,434
– Interest income	(7,228)			(7,228)
– Interest expense	55,772			55,772
– Finance charges on obligations and other finance leases	678			678
– Share of profits less losses of associates	(114,084)	114,084	*(2)*	–
– Negative goodwill	–	(151,303)		(151,303)
– Foreign exchange loss	4,275			4,275
Operating profit before changes in working capital	325,487			325,487
Increase in inventories	(65,601)			(65,601)
Decrease/(increase) in trade and other receivables	124,704			124,704
Increase in trade and other payables	12,050			12,050

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2007 *HK$'000*	Pro forma adjustment *HK$'000*	*Note*	Unaudited pro forma cash flow statement of the Group for the year ended 31 March 2007 *HK$'000*
Cash generated from operations	396,640			396,640
Tax paid				
– Hong Kong profits tax paid	(14,803)			(14,803)
– Overseas tax paid	(46)			(46)
Net cash generated from operating activities	381,791			381,791
Investing activities				
Cash consideration received	–	124,800	*1*	124,800
Payment for purchase of fixed assets	(132,565)			(132,565)
Payment of refundable acquisition deposit	(281,800)			(281,800)
Interest received	7,228			7,228
Net cash used in investing activities	(407,137)			(282,337)
Financing activities				
Capital element of finance lease rentals paid	(12,012)			(12,012)
Net increase in trust receipt loans, export loans and bill discounting loans	(143,556)			(143,556)
Proceeds from new term loans	6,655			6,655
Repayment of term loans	(9,442)			(9,442)
Finance charges on obligations under finance leases	(678)			(678)
Interest paid	(45,850)			(45,850)
Proceeds from shares issued under share option scheme	26,640			26,640
Issue of shares for cash consideration	403,238			403,238
Receipt in advance for issue of shares	13,576			13,576
Dividends paid to equity shareholders of the company	(53,154)			(53,154)
Net cash generated from/(used in) financing activities	185,417			185,417
Net increase/(decrease) in cash and cash equivalents	160,071			284,871
Cash and cash equivalents at 1 April 2006	175,869			175,869
Cash and cash equivalents at 31 March 2007	335,940			460,740

Notes:

1. The adjustments to the consolidated balance sheet of the Group as a result of the Agreement and the Redemption are as follows:

   (a) an increase in cash received of US$16 million (or approximately HK$124.8 million);

   (b) a decrease in "other financial assets", which is classified as a non-current asset, of US$10 million (or approximately HK$78 million);

   (c) a decrease in "interest in associates", which is classified as a non-current asset, of approximately HK$546.5 million; and

   (d) an increase in "Intangibles", which represents the value of the Trade Marks in Greater China and will be classified as a non-current asset, of approximately HK$651 million, based on the valued amount of the Trade Marks in Greater China as at 30 September 2007 of HK$651 million, which is the average of the valued amounts of HK$642.1 million and US$84.7 million (equivalent to HK$660.7 million).

2. Representing the increase in the share of net assets of Sino Legend for the year ended 31 March 2007 that was recorded as a profit by the Group for the year ended 31 March 2007.

3. Representing the difference between the valued amount of the Trade Marks in Greater China of approximately HK$651 million and the cost of approximately HK$499.7 million.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

(i) As at the Latest Practicable Date, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	*Note*	Capacity	No. of Shares held	Position	Approximate Percentage of issued share capital
Kwok Wing	*1*	Interest of controlled corporation	652,800,000	Long	30.05%
Kwok Wing	*2*	Interest of controlled corporation	109,624,000	Long	5.04%
			762,424,000		35.09%

Notes:

1. The Shares are owned by Efulfilment Enterprises Limited ("Efulfilment"), a company incorporated in the British Virgin Islands which is owned by Mr. Kwok Wing and Mr. Kwok Chiu, who is the elder brother of Mr. Kwok Wing, in equal proportion.

2. The Shares are owned by Sharp Asset Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by Mr. Kwok Wing.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of P art X V of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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 were 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 any member of the Group:

Name of Shareholder	*Notes*	No. of Shares held	Capacity	Position	Approximate Percentage of issued share capital
Efulfilment	*1*	652,800,000	Beneficial owner	Long	30.05%
Kwok Chiu	*1*	652,800,000	Interest in controlled corporation	Long	30.05%
Sansar Capital Management LLC	–	364,621,700	Investment Manager	Long	16.78%
McCarthy Kent C.	*3*	317,632,000	Interest in controlled corporation	Long	14.62%
Jayhawk China Fund (Cayman), Ltd.	*3*	296,040,000	Investment manager	Long	13.63%
SinoPac Capital Limited	*2*	45,182,000	Person having security interest	Long	2.08%

Name of Shareholder	*Notes*	No. of Shares held	Capacity	Position	Approximate Percentage of issued share capital
Templeton Asset Management Limited	–	213,622,000	Investment Manager	Long	9.83%
Sansar Capital Master Fund, LP	–	216,840,000	Beneficial owner	Long	9.98%
Sharp Asset Holdings Limited	*4*	109,624,000	Beneficial owner	Long	5.04%
Sansar Capital Special Opportunity Master Fund, LP	–	123,380,400	Investment Manager	Long	5.68%
Wan Lai Ngan	*1, 4 & 5*	762,424,000	Family Interest	Long	35.09%

Notes:

1. The issued share capital of Efulfilment is beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, the chairman and an executive Director, in the proportion of 50:50. Mr. Kwok Chiu is therefore deemed to be interested in the Shares held by Efulfilment under the SFO.

2. Represent Shares to be issued upon exercise of the conversion rights attaching to the convertible bonds of the Company issued in 2004.

3. According to the form filed pursuant to Part XV of the SFO by McCarthy Kent C. and Jayhawk China Fund (Cayman) Ltd., the Shares are held by Jayhawk China Fund (Cayman), Ltd. as investment manager which is owned 100% by McCarthy Kent C.

4. The entire issued share capital of Sharp Asset Holdings Limited is owned by Mr. Kwok Wing, the chairman and an executive Director of the Company.

5. Ms. Wan Lai Ngan is the spouse of Mr. Kwok Wing and is there deemed to be interested in the Shares held by Mr. Kwok Wing under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), 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 any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement in which any of the Directors was materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the Agreements and any assets which have been, since 31 March 2007 (the date to which the latest published audited consolidated accounts of the Group were made up), 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.

7. EXPERTS AND CONSENT

The following are the qualifications of the experts whose reports are contained in this Circular:

Name	Qualification
BMI	Qualified professional valuers
Grant Sherman	Qualified professional valuers
NCN	Certified Public Accountants

Each of BMI, Grant Sherman and NCN has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of BMI, Grant Sherman and NCN did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of BMI, Grant Sherman and NCN did not have any direct or indirect interest in the Agreement and any assets which have been, since 31 March 2007 (the date to which the latest published audited consolidated accounts of the Group were made up), 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.

8. MATERIALS CONTRACTS

As at the Latest Practicable Date, the following contacts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:

1. the placing agreement dated 10 April 2006 and entered into between Efulfilment Enterprises Limited, the Company and BNP Paribas Capital (Asia Pacific) Limited in relation to the placing of 227,500,000 Shares;

2. the subscription agreement dated 10 April 2006 and entered into between Efulfilment Enterprises Limited and the Company in relation to the subscription for 227,500,000 Shares;

3. the placing agreement dated 13 February 2007 and entered into between Efulfilment Enterprises Limited, the Company and BNP Paribas Capital (Asia Pacific) Limited in relation to the placing of 178,000,000 Shares;

4. the subscription agreement (the "Subscription Agreement") dated 13 February 2007 and entered into between Efulfilment Enterprises Limited and the Company in relation to the subscription for 178,000,000 Shares;

5. the supplemental subscription agreement dated 26 February 2007 and entered into between Efulfilment Enterprises Limited and the Company in relation to the subscription for 178,000,000 Shares under the Subscription Agreement;

6. the agreement dated 25 May 2007 and entered into between Anway Limited as purchaser, Xbert Investments Limited as vendor and Mr. Zhang Wen Kai as guarantor in relation to the purchase of 90% of the total issued share capital of Best Favour Investments Limited; and

7. the Agreement.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 13th Floor, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong during normal business hours on any weekday (public holidays excepted) from the date of this circular up to and including 28 December 2007 the date of EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2006 and 31 March 2007;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) the valuation reports, the texts of which are reproduced in Appendices II and III of this circular;

(e) the written consent referred to in the paragraph headed "Experts and consent" in this appendix;

(f) the report from NCN dated 10 December 2007 on the unaudited pro forma financial information of the Group, the text of which is reproduced in Appendix IV of this circular;

(g) the circular of the Company dated 18 June 2007 in relation to the acquisition of 90% issued share capital of Best Favour Investments Limited; and

(h) this circular.

10. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is located at 13th Floor, Roxy International Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

(c) Tricor Tengis Limited, the transfer office of the Company in Hong Kong is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary and one of the Joint Qualified Accountants of the Company is Mr. Siew Chun Fai, who is a member of Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants of Australia and Certified Public Accountants of Australia.

(e) The other Joint Qualified Accountant of the Company is Mr. Fung Kwok Wing, Kenny, who is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators.

(f) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

TACK FAT GROUP INTERNATIONAL LIMITED
德發集團國際有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 928)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Meeting") of Tack Fat Group International Limited (the "Company") will be held at 13th Floor, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Friday, 28 December 2007, at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendment:

ORDINARY RESOLUTION

"**THAT** the agreement dated 13 October 2007 (the "Agreement"), a copy of which has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification, and entered into among Newest Global Limited, the Company, Lung Investment Holding, LLC, Mudd (USA) LLC and Sino Legend Limited, in relation to the redemption of all the class A preferred shares held by Newest Global Limited by Sino Legend Limited pursuant to the terms and conditions of the Agreement be and is hereby approved, ratified and confirmed and that the directors of the Company be and are hereby authorised to implement all transactions referred to in the Agreement and to do all such acts and things and execute all such documents, whether or not under the common seal of the Company, which in their opinion may be necessary, desirable or expedient to carry out or to give effect to Agreement and the arrangements contemplated thereunder."

By Order of the Board
Tack Fat Group International Limited
Kwok Wing
Chairman

Hong Kong, 10 December 2007

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of of business in Hong Kong:
13th Floor
Roxy Industrial Centre
58-66 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.