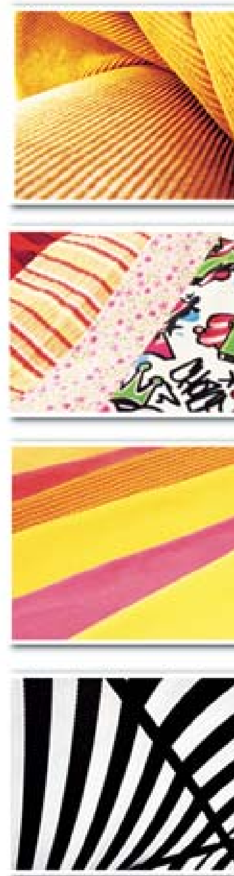
PACIFIC TEXTILES HOLDINGS LIMITED
互太紡織控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1382)



Annual Report 2007

Taking our Business to the **Next Level**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WAN Wai Loi *(Chairman)*
Mr. TSANG Kang Po *(Vice Chairman)*
Mr. LAM Wing Tak *(Chief Executive Officer)*
Dr. LAM King Man

Non-executive Directors

Mr. CHOI Kin Chung
Mr. IP Ping Im
Mr. HO Hsiang Ming, James
Mr. LAU Yiu Tong

Independent Non-executive Directors

Mr. CHAN Yue Kwong, Michael
Mr. NG Ching Wah
Mr. SZE Kwok Wing, Nigel

AUDIT COMMITTEE

Mr. SZE Kwok Wing, Nigel *(Chairman)*
Mr. NG Ching Wah
Mr. CHAN Yue Kwong, Michael

REMUNERATION COMMITTEE

Mr. CHAN Yue Kwong, Michael *(Chairman)*
Mr. SZE Kwok Wing, Nigel
Mr. NG Ching Wah
Mr. LAM Wing Tak
Mr. TSANG Kang Po

NOMINATION COMMITTEE

Mr. NG Ching Wah *(Chairman)*
Mr. CHAN Yue Kwong, Michael
Mr. SZE Kwok Wing, Nigel
Mr. LAM Wing Tak
Mr. TSANG Kang Po

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. LAM Hing Chau Leon, *FCPA*

PRINCIPAL BANKERS

BNP Paribas, Hong Kong Branch
Citibank N.A.
Hang Seng Bank Ltd.
The Hongkong and Shanghai Banking Corp. Ltd.
Industrial and Commercial Bank of China (Asia) Ltd.
Standard Chartered Bank (Hong Kong) Ltd.

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Linklaters (as to Hong Kong Laws)
King & Wood (as to PRC Laws)

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

P.O. Box 309GT, Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F, Block B, Eastern Sea Industrial Building
48–56 Tai Lin Pai Road, Kwai Chung
New Territories, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Liu Chong Tong Xin County
Wan Qing Sha Town
Nansha, Guangzhou City
Guangdong Province, PRC

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712 – 1716, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

1382

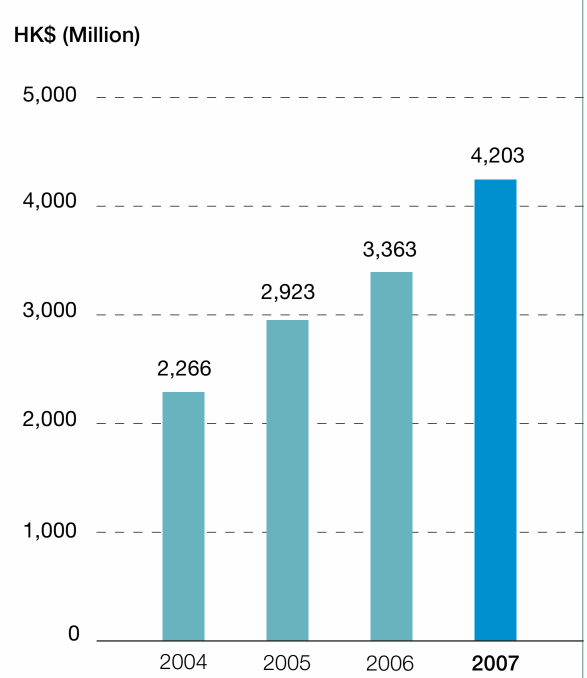
COMPANY WEBSITE

http://www.pacific-textiles.com

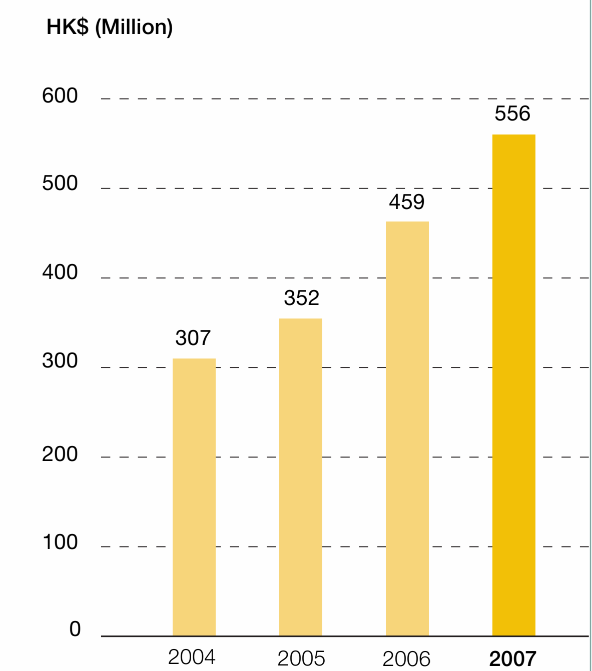
Financial Highlights

	Year ended March 31, 2007 HK$ Million	Year ended March 31, 2006 HK$ Million	Change
Revenue	**4,203.4**	3,363.0	+25.0%
Gross Profit	**922.1**	802.3	+14.9%
Profit Attributable to Equity Holders of the Company	**555.7**	458.9	+21.1%
Net Profit Margin attributable to Equity Holders of the Company	**13.2%**	13.6%	-2.9%
Equity Attributable to Equity Holders of the Company	**1,440.7**	1,044.5	+37.9%
Basic Earnings per Share (HK$)	**0.52**	0.43	+20.9%
Current Ratio	**1.6**	1.8	
Debt/Equity Ratio	**47.4%**	54.0%	

Revenue



Profit Attributable to Equity Holders



Chairman's Statement

Wan Wai Loi,
Chairman

Dear Shareholders,

I take pride and pleasure in presenting to our shareholders the first Annual Report of Pacific Textiles Holdings Limited (the "Company") and its subsidiaries (the "Group") since its listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 18, 2007.

2006/2007 was a remarkable year of the Group where we have seen tremendous demand and growth. Leveraging on years of successful business achievements and long term growth, the Group was successfully listed and gained a platform for further sustainable expansion. The listing enhances the Group's corporate image and reputation and strengthens our capital resources and shareholding structure.

RESULTS SUMMARY

During the financial year under review, revenue of the Group increased 25.0% to HK$4,203.4 million, as compared to the last financial year. Gross profit of the Group also achieved a strong increase of 14.9% year-on-year to HK$922.1 million. Profit attributable to equity holders amounted to HK$555.7 million, representing an increase of 21.1% as compared to the last financial year. Earnings per share were HK$0.52 for the financial year under review, compared to HK$0.43 in the last financial year.

The Group is facing both opportunities and challenges in the market and the current business climate in China.

We are of the opinion that the safe-guard quotas on manufactured garments in China for the EU markets will be lifted as planned from January 1, 2008, further lifting China's garment manufacturing sector.

The trend of migrating garment manufacturing and finishing to Asian low-cost countries is on-going, which we believe will boost significantly the demand for higher-end and value-added fabrics.

OUTLOOK

Over the last several years, the Group has strategically planned to take on these opportunities by investing in infrastructure, further enhancing our efficient process technologies and higher quality assurance. Over the next several years, we plan to:

– Increase the production capacity of our Panyu and Sri Lanka operations.

– Increase our sales and market presence in domestic China market in both apparel textiles and automotive textiles.

– Continue expanding our warp knit production, particularly in the swimwear sector in order to maintain our uniqueness in being the only sizable warp knit fabrics producer with printing capability in the region.

– Continue enhancing our printing design capability and printing capacity in order to provide value added services to our customers which will in turn improve our margin.

Successfully listed on the Main Board of the Stock Exchange, May 18, 2007

We remain vigilant and mindful of the challenges faced by the overall manufacturing industries in China. These challenges include the possible continuing appreciation of the Renminbi, potential rising labour costs, changes on the tax system and further reduction on the export tax rebate.

Directors are confident that through our continued effort in energy savings, efficiency improvements and better human resource management, the Group can successfully mitigate the impact of these challenges.

The future holds amazing potential for the Group. With the continuing strong growth in the domestic market and the increasing international demand for garments manufactured in China, China is fast becoming the fabric production base. Facing enormous opportunities, we are confident that we will be able to capture the market with our premium customer base, our unique positioning with value-added products and services as well as our highly efficient operations. We are confident that Pacific Textiles is poised for strong future growth.

Following our successful listing on the Main Board of the Stock Exchange in May 2007, we have established a strong capital platform which will be conducive to taking our business to the next level. We are positive of the market outlook and our outstanding capability and competitive edge to capitalize growth opportunities ahead.

APPRECIATION

I would like to close by offering a special note of thanks to our employees whose dedication and passion for excellence these past years have fueled the success we enjoy today, setting a great foundation to achieve the goals we have set ourselves for tomorrow.

Wan Wai Loi

Chairman

Hong Kong, July 9, 2007

To become the leading **manufacturer** and provider of **complex, customized knitted fabric products** and **value-added services** to premium brand owners and customers

Our advanced production facility in Panyu, Guangdong


Knitting


Dyeing


Printing

OVERVIEW

During the period under review, the Group achieved remarkable growth, continuing its trend of approximately 20% compound annual growth in revenue for the last three years. For the year ended March 31, 2007 (the "2007 Financial Year"), the Group recorded revenue of HK$4,203.4 million, up 25.0% from HK$3,363.0 million in the previous financial year. The Group's profit attributable to the equity holders increased by 21.1% to HK$555.7 million, or an increase of HK$96.8 million over the HK$458.9 million in the 2006 Financial Year. Net profit margin attributable to equity holders of the Company for the 2007 Financial Year was 13.2%. Our competitive edge in manufacturing complex, value-added fabrics and our focus on higher margin products such as warp knitted products, maintaining a premium customer base as well as operating efficiency have delivered superior margin returns and reinforced our leading position in the quality knitted fabric manufacturing sector.

The management of the Group is confident about the global textile market, especially in China. Total textiles and clothing exported from China increased by 25% in 2006, according to the World Trade Organisation. With the impending elimination of export quotas on China in 2008, the Group will proactively take advantage of the continuing migration of the garment industry to Asia, particularly to China, by expanding our business as well as by capturing the growing demand of the domestic apparel market.

The sales volume for the 2007 Financial Year was 154 million pounds (2006: 126 million pounds), an increase of 22%. We successfully maintain our close collaboration with apparel brand owners to design fabrics that meet customized-order preferences and maintain relationships with owners of leading brands such as Calvin Klein, Liz Claiborne, Maidenform, Marks & Spencer, Triumph, UNIQLO, VF Intimates and Victoria's Secret. The apparel brand owners who use our fabrics in their garments, although not our direct customers, are the principal drivers of our fabric sales. Our top five customers accounted for 31.5% (2006: 30.4%) of the Group's revenue for the 2007 Financial Year. 49.9% (2006: 53.7%) of our overall sales revenue was derived from our top five brand owners in 2007.

EXPANDING OUR PRODUCTION CAPACITY

Panyu, Guangdong

Our outstanding financial performance was attributable to both organic and inorganic growth. We have continued to expand production capacity in both our production plants in Panyu, Guangdong province and Avissawella, Sri Lanka. The production volume of our Panyu facility, our principal manufacturing facility, was 154 million pounds, representing an increase of 27% over last financial year. In order to meet customer demand and boost capacity, we will continue to expand our infrastructure and supporting structures significantly at our Panyu facility. The Group completed expansion of the Phase IV of its cogeneration power plant for our Panyu facility in March 2007 which increased our energy capacity by 58% from 26 megawatts to 41 megawatts. The completion of the Phase III of our water treatment plant in December 2006 has doubled our water treatment capacity from 20,000 to 40,000 cubic meters per day. To enable better use of water resources, the Group has commenced the building of a new water recycling plant in the 2007 Financial Year. The construction of the new water recycling plant has been completed in June 2007. The new plant will increase water recycling from 10% to 60% upon the commencement of the operation.

The Group will continue to invest heavily in capital expenditures to expand our production capacity and improve manufacturing efficiency. Our capital investment plan for our Panyu facility includes building automated warehouses, upgrading production equipment and ERP systems, constructing Phase V of our power plant and Phase IV of our water treatment facility, acquiring additional land adjacent to the existing production site and adding new equipment. In addition, we will continue to upgrade our production equipment as well as manufacturing technologies to enhance our product offerings and raise production efficiency. These new developments will help boost our manufacturing capabilities and operating efficiency so as to sustain our competitive advantage and future growth.

Sri Lanka

Sri Lanka is an important location for garment manufacturing as it benefits from attractive trade arrangements with the European Union and United States. Moreover, as many of our brand-owner customers employ garment manufacturers based in Sri Lanka, our investment in Textured Jersey Lanka (Private) Limited ("PT Sri Lanka") improves our competitive position through geographic diversification and demonstrates our ability to operate effectively in other geographic regions.

Since our acquisition of PT Sri Lanka in late 2004, we have doubled its production volume and have made the company profitable. The production volume for the 2007 Financial Year increased to 11 million pounds. This is testament to our effective management skills and successful geographical diversification to capture additional growth potential. The Group is in the process of further expanding the water treatment and production capacity for PT Sri Lanka. The enhancement plan is targeted to be completed by December 2007 and will further double the production capacity of PT Sri Lanka after completion.

STRATEGIC PARTNERSHIPS

Besides organic growth, the Group has focused on developing the high-end warp knitted fabrics market, venturing into the non-apparel sector as well as offering value-added services to customers in order to enhance our competitiveness.

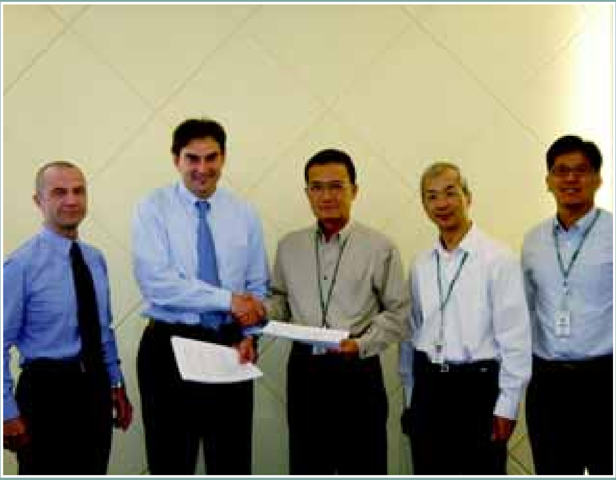
During the 2007 Financial Year, the increase in warp knit production also boosted our sales volume. As part of our business strategy, we will continue to develop new knitted fabrics and diversify fabric specifications in order to boost competitiveness.

Fillattice – Pacific

In April 2006, the Group established a 50/50 joint venture company, Fillattice-Pacific Limited ("Fillattice-Pacific"), with our Italian joint venture partner Fillattice S.p.A., to engage in the sales and marketing of specialty warp-knitted fabrics in the Asia-Pacific region. Fillattice S.p.A. is a member of Fillattice Group, a leading corporation producing elastomeric fiber, stretch fabrics and covered yarns.

The fabrics marketed by Fillattice-Pacific are manufactured at our Panyu plant as part of the warp knit production, using specific spandex supplied by Fillattice Group. The fabrics are sold to our customers under the Lineltex® label, a trademark owned by Fillattice Group. The strategic alliance provides us with access to new markets and processing know-how while enabling Fillattice S.p.A. to maintain its cost competitiveness.

Acquired 52% interest in PT Sri Lanka in 2004



Established Fillattice — Pacific, JV with our Italian partner Fillattice S.p.A. in April 2006

Formed SPM Automotive with our Japanese partners in 2005

Pubblicentro

We understand that quality and service are key to differentiating ourselves from competitors. As such, we partnered with Pubblicentro, an Italian design house, and recently began offering printing design services to our customers with a view to deepening our customer relationships and increasing our sales of high value-added fabrics. This design service capability also complements the Group's manufacturing strength. This alliance also enables us to advance the print design skills of our employees through training exchanges in Italy, and at the same time gain access to technical advice on digital printing from the design house.

SPM Automotive

Besides investing in the warp knitted fabrics sector, we strategically diversified into non-apparel products by entering into a joint venture agreement in 2005 with 住江織物株式會社 (Suminoe Textile Co., Ltd.) and 丸紅株式會社 (Marubeni Corporation) to manufacture automotive fabrics for Japanese car manufacturers in China. The joint-venture company, SPM Automotive Textile Co., Ltd. ("SPM Automotive") was incorporated in the PRC as a wholly foreign-owned enterprise, with a 55% share owned by Suminoe Textile Co., Ltd, 33% owned by the Group and the remaining 12% owned by Marubeni Corporation. Suminoe Textile Co., Ltd is a handicraft fabrics manufacturer in Japan that produces specialty fabrics such as automotive fabrics and floor coverings. Our other joint venture partner, Marubeni Corporation, is a leading trading house of industrial and consumer goods in Japan.

As a pioneer in this automotive fabrics sector, we are well-positioned to capture market opportunities, in particular, Japanese car manufacturing facilities in Guangzhou and neighbouring areas that use just-in-time manufacturing systems consistent with our operations. The joint venture with our Japanese partners also allows us to expand into non-apparel textile markets and learn the best practices of Japanese manufacturing systems.

Our investments in Fillattice-Pacific and SPM Automotive are part of our overall strategy to expand further into the stretch fabric and warp knitted fabric markets, as well as to venture into non-apparel textile markets. We will consider additional strategic joint-ventures in the future should suitable opportunities arise.

Financial Review

We are pleased to announce the Group has maintained satisfactory growth for the 2007 Financial Year. For the year under review, the Group's revenue was HK$4,203.4 million (2006: HK$3,363.0 million), representing an increase of HK$840.4 million, or 25.0%. The increase in revenue was mainly due to the expansion of our production capacity to meet the increasing sales orders from customers and a slight increase in our average selling price.

During the 2007 Financial Year, profit attributable to equity holders increased by HK$96.8 million, or 21.1% to HK$555.7 million (2006: HK$458.9 million). The net profit margin attributable to equity holders of the Company for the 2007 Financial Year was 13.2% (2006: 13.6%). Earnings per share for the 2007 Financial Year increased to HK$0.52 (2006: HK$0.43), represented an increase of 20.9%.

Due to an increase in sales volume and yarn price, the Group's cost of sales increased 28.1% to HK$3,281.3 million (2006: HK$2,560.8 million) for 2007 Financial Year. During the 2007 Financial Year, the cost of sales increased to 78.1% (2006: 76.1%) of the revenue which was mainly attributable to yarn price increase and change in product mix. More higher-price synthetic yarns were used due to our increased sales of synthetic knitted fabrics including warp knit. The Group's gross profit recorded an increase of 14.9% to HK$922.1 million (2006: HK$802.3 million) for 2007 Financial Year. Gross profit margin for 2007 Financial Year was 21.9% (2006: 23.9%).

For 2007 Financial Year, the Group's other revenue was HK$39.2 million (2006: HK$43.1 million), representing a decrease of 9.0%. This decrease was principally due to a waiver of a loan by a former shareholder of PT Sri Lanka in the amount of HK$11.5 million in the 2006 Financial Year.

Distribution and selling expenses were HK$130.5 million (2006: HK$129.6 million), representing a slight increase of HK$0.9 million, or 0.7%. The increase, which was significantly lower than our revenue increase, was mainly due to improvements in production scheduling and logistics management and improvement in credit and collection management resulting in the write-back of provisions for bad and doubtful debts.

During the year, general and administrative expenses were HK$144.3 million (2006: HK$165.7 million), representing a decrease of HK$21.4 million or 12.9%. The decrease was mainly due to the write-off of a goodwill of HK$10.4 million and HK$19.0 million loss on disposal of property, plant and equipment mainly due to the demolition of warehouse facilities allocated for construction of production plant in the previous financial year.

For 2007 Financial Year, our operating profit was HK$686.5 million (2006: HK$550.0 million), representing an increase of HK$136.5 million, or 24.8%. This increase in operating profit is principally attributable to higher revenue and success in managing our distribution and selling and general and administrative expenses which was partially offset by higher yarn costs. The operating margin for the 2007 Financial Year was 16.3% (2006: 16.4%).

In the year under review, finance costs were HK$42.2 million (2006: HK$7.4 million), representing an increase of HK$34.8 million or 470.3%. The increase reflects increased level of borrowings and increase in the interest rates.

LIQUIDITY AND FINANCIAL INFORMATION

As at March 31, 2007, we had total bank and cash balances and time deposits of HK$226.2 million (2006: HK$131.0 million), including HK$79.1 million, the equivalent of HK$101.5 million in US currency, the equivalent of HK$41.9 million in Renminbi and the equivalent of HK$3.7 million in other currencies. The bank and cash balances and time deposits are to finance our working capital and part of our capital expenditure plans. Our loans, with the exception of a syndicated loan, are generally short-term, principally ranging from two weeks to three months, and are denominated mainly in Hong Kong and US dollars.

For 2007 Financial Year, the Group's total assets amounted to HK$3,040.9 million (2006: HK$2,354.7 million), representing an increase of 29.1% over the previous year. Total assets included non-current assets of HK$1,237.8 million (2006: HK$956.3 million) and current assets of HK$1,803.1 million (2006: HK$1,398.4 million). The Group has current liabilities of HK$1,132.8 million (2006: HK$797.5 million) and non-current liabilities of HK$416.6 million (2006: HK$469.9 million). Minority interests amounted to HK$50.8 million (2006: HK$42.8 million) and equity attributable to shareholders amounted to HK$1,440.7 million (2006: HK$1,044.5 million). The current ratio was 1.6 (2006: 1.8). The decrease was mainly attributable to increased level of borrowings. The gearing ratio, being the ratio of total debts (including current and non-current borrowings) to total assets was 30.7% (2006: 30.5%). The debt to equity ratio, being the ratio of total borrowings (net bank balances and cash) to shareholders funds (including minority interests) was 47.4% (2006: 54.0%). The decrease was mainly due to the increase in shareholders' equity as resulted from the profits earned during the 2007 Financial Year.

The Group's capital expenditure during the year was HK$432.4 million (2006: HK$272.6 million), which was mainly used to purchase plant and machinery, and construction projects related to the workshop, cogeneration power plant, water treatment plant, water recycling plant and others.

POST FINANCIAL YEAR EVENTS

The Group was successfully listed on the Main Board of the Stock Exchange on May 18, 2007 and raised net proceeds of approximately HK$1,795 million from issuing 358,234,000 shares of HK$0.001 each for cash at a price of HK$5.35 per share. Approximately HK$762 million of the net proceeds was used to repay an existing syndicated loan and other bank loans. The remaining proceeds have been deposited in banks and will be used primarily to fund capital expenditures for the expansion and upgrade of our facilities and operations.

On April 27, 2007, the Company's authorised share capital was increased by HK$4,950,000 by creation of 4,950,000,000 shares of HK$0.001 each. On May 17, 2007, 1,063,954,980 shares of HK$0.001 each were allotted and issued to the then equity holders of the Company in proportion to their respective shareholdings by the capitalisation of HK$1,063,955 from the share premium account as payment in full of par value.

On May 17, 2007, a special dividend of approximately HK$780 million was paid to the then shareholders of the Company in respect of 2007 Financial Year.

In accordance with the share option scheme adopted by the Company on April 27, 2007, the Board on July 9, 2007 approved to grant options to 88 eligible full-time employees on July 18, 2007 to subscribe for a total of 22,820,000 shares of the Company which represent about 1.6% of total issued shares.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2007, we have approximately 6,715 full-time employees, 5,853 of whom are based in China, 680 in Sri Lanka, 171 in Hong Kong and 11 in other regions. The remuneration package of our employees includes salary, bonuses, allowances and retirement benefits. The Group also provides additional benefits to its employees, such as subsidised accommodation and meals for workers at the production facilities, and accident and medical insurance.

Use of Proceeds

The shares of the Company were listed on the Stock Exchange on May 18, 2007 (the "Listing"). The net proceeds from the initial public offering of approximately HK$1,795 million were received by the Company. The Company intends to use the net proceeds as set out in the Prospectus as follows:

	Amount (HK$ million)
• Repayment of a syndicated loan and other bank loans	762
• Expansion and upgrading the facilities and operations	873
• General working capital	160
	1,795

Since the Listing, the net proceeds from the initial public offering have been used to repay a syndicated loan and other bank loans amounting to approximately HK$762 million. The balance of the net proceeds are deposited in interest-bearing bank accounts with licensed commercial banks in Hong Kong and will be used primarily to fund capital expenditure for the expansion and upgrade of our facilities and operation.

Profile
of Directors and Senior Management

Mr. Wan Wai Loi	Mr. Ho Hsiang Ming, James	Mr. Tsang Kang Po	Mr. Ip Ping Im	Mr. Choi Kin Chung	Mr. Lam Wing Tak	Dr. Lam King Man	Mr. Lau Yiu Tong
Chairman and Executive Director	*Non-executive Director*	*Vice Chairman and Executive Director*	*Senior Partner and Non-executive Director*	*Emeritus Chairman and Non-executive Director*	*Chief Executive Officer and Executive Director*	*Executive Director*	*Non-executive Director*

EXECUTIVE DIRECTORS

Mr. WAN Wai Loi, aged 57, is an executive Director and Chairman and a founder of our Group. Mr. Wan is responsible for production of our products and the formulation of the overall corporate direction and business strategies of the Group. Mr. Wan has over 34 years of experience in the textile industry. He obtained a Bachelor of Science Degree in Chemical Engineering from Taiwan National Cheng Kung University. Mr. Wan joined the Group in 1997 and was appointed as a Director in 2004.

Mr. TSANG Kang Po, aged 56, is an executive Director and the vice Chairman and a founder of our Group. Mr. Tsang is responsible for sales and marketing and the formulation of the overall corporate direction and business strategies for the Group. Mr. Tsang has over 28 years of experience in the textile industry. He is the vice chairman of Hong Kong Intimate Apparel Industries' Association. Mr. Tsang obtained a MBA degree from The Open University of Hong Kong and a Master of Science in Business Economics from The Chinese University of Hong Kong. Mr. Tsang joined the Group in 1997 and was appointed as a Director in 2004.

Mr. LAM Wing Tak, aged 56, is an executive Director and the Chief Executive Officer of our Company. Mr. Lam is responsible for sales and marketing and the formulation of the overall corporate direction and business strategies for the Group. Mr. Lam has over 30 years of experience in the textile industry. Mr. Lam obtained a MBA degree from The University of Macau and a Bachelor of Business Administration from The Chinese University of Hong Kong. Mr. Lam joined the Group in 1998 and was appointed as a Director in 2004.

Dr. LAM King Man, aged 51, is an executive Director. Dr. Lam is responsible for overseeing manufacturing and research and development. Dr. Lam has over 25 years of experience in the textile, garment, dyeing and finishing industry. Dr. Lam obtained a Ph.D. degree from the Postgraduate School of Colour Chemistry and Colour Technology at the University of Bradford, United Kingdom and a Higher Diploma in Textile Chemistry from Hong Kong Polytechnic. He is a Chartered Colourist and a Fellow of The Society of Dyers and Colourists, United Kingdom. Dr. Lam joined the Group in 1998 and was appointed as a Director in 2004.

NON-EXECUTIVE DIRECTORS

Mr. CHOI Kin Chung, aged 71, is a non-executive Director and a founder of the Group. Mr. Choi co-founded our Group in 1997 and has been the chairman of the Group since its inception until 2005. Mr. Choi is the emeritus chairman of the Company. He has approximately 40 years of experience in the textile industry. Mr. Choi was educated in the 華南理工大學，建築系 (School of Architecture, South China University of Technology) and is a Honorary Professor of the University. He is also a Honorary Citizen of Guangzhou City. Mr. Choi was appointed as a Director in 2004.

Mr. IP Ping Im, aged 70, is a non-executive Director. He is a co-founder and senior partner of our Group. Mr. Ip has over 30 years of experience in the textile industry. Mr. Ip was appointed as a Director in 2004.

Mr. HO Hsiang Ming, James, aged 48, is a non-executive Director. Mr. Ho is a vice president of Capital International, Inc., responsible for private equity in Asia. Prior to joining Capital International, Inc. in 1996, Mr. Ho was vice president of global equity investments at the Bank of America in Hong Kong. Mr. Ho was a director of ON*Media Corporation, a Korea listed company, from June 2000 to March 2007. He received a Bachelor of Arts in Economics from the National Taiwan University and an MBA from the Wharton School of Business at the University of Pennsylvania. Mr. Ho was appointed as a Director in 2004.

Mr. LAU Yiu Tong, aged 59, is a non-executive Director. Mr. Lau has over 30 years of experience in the textile industry. Mr. Lau holds a Higher Diploma in Textile Technology from the Hong Kong Technical College. He is a member of the General Committee of Federation of Hong Kong Industries. Mr. Lau was appointed as a non-executive Director in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Yue Kwong, Michael, aged 55, is an independent non-executive Director. He is currently the executive chairman of Café de Coral Holdings Limited, a Hong Kong listed company which he joined in 1984, and has considerable experience in planning and management. Mr. Chan is also an independent non-executive director of Starlite Holdings Limited, since 1993 and Kingboard Laminates Holdings Limited since 2006 and a non-executive director of Tao Heung Holdings Limited in 2007, all three companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Chan also serves as a non-executive director of Carats Limited (formerly known as Daka Design Limited), a company listed on Singapore. Mr. Chan holds a Bachelor of Arts, a Master's degree in City Planning from the University of Manitoba, Canada and an Honorary Doctorate Degree in Business Administration from Southern California University for Professional Studies, U.S.A. He is currently an executive committee member of the Hong Kong Retail Management Association, Council Member of the Employers' Federation of Hong Kong, elected member of the Quality Tourism Services Association, a full member of the Canadian and the Hong Kong Institute of Planners, a Fellow of the Chartered Institute of Marketing, Honorary President of Hong Kong Foodstuffs Association, the Honorary Adviser of the Hong Kong Institute of Marketing and the Institute of Business Administrants. He is currently the chairman of Business Enterprise Management Centre of the Hong Kong Management Association. Mr. Chan was appointed as an independent non-executive Director in 2007.

Mr. NG Ching Wah, aged 58, is an independent non-executive Director. Mr. Ng has over 20 years of senior management experience in the telecommunications industry. He was the chief executive officer of Hong Kong CSL Limited. He was the chief executive officer of SmarTone Telecommunications Holdings Limited, a Hong Kong listed company and the President of PCCW Mobility Services Limited. Mr. Ng is the Honorary Advisor of the Internet & Telecom Association of Hong Kong, a Council Member of the Hong Kong Trade Development Council and a member of the Digital 21 Strategy Advisory Committee (D21SAC). Mr. Ng graduated from the Chinese University of Hong Kong in 1975, with a Bachelor of Business and Administration. Mr. Ng was appointed as an independent non-executive Director in 2007.

Mr. SZE Kwok Wing, Nigel, aged 50, is an independent non-executive Director. Mr. Sze has senior management experience in the private and investment banking industry serving high net worth clients and institutions. He currently serves as the chief executive officer of Asia-Pacific for International Private Bank, Barclays Wealth. Prior to his current position, Mr. Sze was an executive director in the private clients division at Morgan Stanley Asia Limited, Hong Kong. Mr. Sze holds a Bachelor of Business from Swinburne University of Technology, Melbourne, Australia. He is a Fellow of CPA Australia. Mr. Sze was appointed as an independent non-executive Director in 2007.

SENIOR MANAGEMENT

Mr. LAM Hing Chau Leon, aged 49, joined the Group in 2005 and is our chief financial officer and our company secretary. Mr. Lam is responsible for finance, accounting, company secretarial matters and shipping. Mr. Lam holds a Bachelor's Degree in Social Sciences from the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Lam also holds Master's degrees in Business Administration, Information Systems, Applied Finance and Electronic Commerce. Prior to joining the Group, he was the executive director, vice president and chief financial officer of CK Life Sciences Int'l (Holdings) Inc., a company listed on the Growth Enterprises Market of the Stock Exchange.

Mr. KONG Yuen Ching, aged 58, joined the Group in 1998 and is the general manager, responsible for the raw materials procurement. Mr. Kong has over 30 years of experience in the textile industry. Mr. Kong is also a director of Pacific Textiles Ltd, a wholly-owned subsidiary of the Company.

Mr. PANG Ping Hung, aged 56, joined the Group in 2005 and is the general manager, responsible for the printing and finishing division of our Group. Mr. Pang has over 30 years of experience in the textile industry.

Mr. GOONETILLEKE Rohan, aged 54, is the managing director of Textured Jersey Lanka (Private) Limited, a subsidiary of the Company since June 2003. Mr. Goonetilleke holds a Bachelor of Science degree in Mechanical Engineering from the University of Portsmouth, United Kingdom. Prior to joining the Group, he was the managing director of Linea Clothing (Private) Limited.

Directors' Report

The board of directors (the "Board") is pleased to present the first annual report and the audited consolidated financial statements of the Pacific Textiles Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended March 31, 2007 (the "2007 Financial Year").

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on October 12, 2004 as an exempted company with limited liability. Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing (the "Listing") of the Company's shares (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Pacific Textiles Limited, Pacific Overseas Textiles Macao Commercial Offshore Limited, Pacific (Panyu) Textiles Limited and Spider Textiles Limited (which has been disposed by the Company in March 2006) and became the holding company of these companies in November 2004. The Company's shares were listed on the Main Board of the Stock Exchange on May 18, 2007.

Details of the group reorganisation are set out in the paragraph headed "Reorganisation" in the section "Corporate Structure and History" of the prospectus of the Company dated May 7, 2007 (the "Prospectus").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in manufacturing and trading of customised knitted fabrics. The activities of its principal subsidiaries are set out in note 9 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the 2007 Financial Year are set out in the consolidated income statement on page 36.

The Group's consolidated profit attributable to equity holders of the Company for the 2007 Financial Year amounted to approximately HK$555.7 million, representing an excess of approximately HK$3.7 million over the profit estimate as set out in the Prospectus.

During the 2007 Financial Year, a dividend of approximately HK$21.77 per share, totalling HK$234,000,000 was paid to the then shareholders of the Company.

On April 26, 2007, the Board declared payment of a special dividend of approximately HK$72.58 per share, totalling approximately HK$780,000,000, to the shareholders whose names appeared on the register of members of the Company as at April 26, 2007 and the amount was paid on May 17, 2007.

The Board does not recommend the payment of a final dividend for the 2007 Financial Year.

FINANCIAL SUMMARY

A summary of the consolidated results and consolidated balance sheet of the Group for the last four financial years is set out on page 76.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the 2007 Financial Year are set out in note 16 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the 2007 Financial Year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company ("Articles"), or the law of Cayman Islands, being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Details of the movements in the reserves of the Group during the 2007 Financial Year are set out in note 17 to the financial statements.

In addition to the retained profits of the Company, the share premium and capital reserves of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

At March 31, 2007, the sum of the retained profits, the share premium and the capital reserves of the Company amounted to approximately HK$189,147,000.

VALUATION OF PROPERTY ASSETS OR OTHER TANGIBLE ASSETS

Buildings are stated at cost less accumulated depreciation. In preparation for the Listing, certain lease prepayments and buildings of the Group with net book value of HK$355,640,000 had been valued. The valuation of such lease prepayments and buildings amounted to HK$450,532,000 as at February 28, 2007, the valuation date. The lease prepayments and buildings had not been stated at valuation in the consolidated financial statements of the Group. In the consolidated financial statements of the Group, the lease prepayments are expensed in the income statement on a straight-line basis over the period of the lease.

PROPERTY, PLANT AND EQUIPMENT

Expenditure of approximately HK$432,354,000 was incurred during the 2007 Financial Year primarily to expand the production capacity of the Group.

Details of the movements in property, plant and equipment of the Group are set out in note 8 to the financial statements.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at March 31, 2007 are set out in note 9 to the financial statements.

DONATIONS

During the 2007 Financial Year, the Group made charitable and other donation totalling approximately HK$354,000.

CAPITALISED INTERESTS

During the 2007 Financial Year, no interest had been capitalised.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company ("Directors") during the 2007 Financial Year and up to the date of this report were:

Executive Directors

Mr. WAN Wai Loi *(Chairman)*
Mr. TSANG Kang Po *(Vice Chairman)*
Mr. LAM Wing Tak *(Chief Executive Officer)*
Dr. LAM King Man

Non-executive Directors

Mr. CHOI Kin Chung
Mr. IP Ping Im
Mr. HO Hsiang Ming, James
Mr. LAU Yiu Tong *(appointed on March 13, 2007)*

Independent Non-executive Directors

Mr. CHAN Yue Kwong, Michael *(appointed on March 13, 2007)*
Mr. NG Ching Wah *(appointed on January 26, 2007)*
Mr. SZE Kwok Wing, Nigel *(appointed on January 26, 2007)*

Pursuant to article 130 of the Articles, at every annual general meeting ("AGM") of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years. Accordingly, Mr. Lam Wing Tak, Mr. Choi Kin Chung and Mr. Ip Ping Im will retire from the Board at the forthcoming AGM and, being eligible, will offer themselves for re-election as Directors. Mr. Lau Yiu Tong, Mr. Chan Yue Kwong, Michael, Mr. Ng Ching Wah and Mr. Sze Kwok Wing, Nigel, who were appointed as Director by the Board would retire from the Board at the forthcoming AGM pursuant to article 114 of the Articles and, being eligible, will offer themselves for re-election as Directors.

Each of the executive Directors had entered into a service agreement with the Company for an initial term of two years with effect from April 1, 2007. Each service agreement will continue thereafter until terminated by either party by giving to the other party at least six months' prior notice in writing.

Each of the non-executive and independent non-executive Directors had been appointed for an initial term of two years on the terms and conditions effective from May 1, 2007. All Directors are subject to retirement by rotation in accordance with the Articles and Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Profile of the above Directors are set out on pages 13 to 15.

No Director proposed for re-election at the forthcoming AGM of the Company has a service contract with Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

As at March 31, 2007, the Company had not received any notice of interests to be recorded under section 352 of the Securities and Futures Ordinance ("SFO") nor as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Issuers as the Company had not been listed on the Stock Exchange as at that date.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the 2007 Financial Year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

Pursuant to the written resolutions of shareholder of the Company passed on April 27, 2007, the Company adopted a share option scheme (the "Share Option Scheme").

A. Summary of the Share Option Scheme

1. *Purpose*

   The purpose of the Share Option Scheme is to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons (as defined in paragraph 2 below).

2. *Participants*

   The Board may grant options to any "Eligible Person", namely an employee, director or non-executive director (including independent non-executive Directors ("INED")) of any Member of the Group.

   "Member of the Group" means the Company, any holding company, subsidiaries or affiliates of the Company or other companies or associated companies of the Company which the Board determines will be subject to the Share Option Scheme.

3. *Maximum number of Shares*

   (a) Overriding limit

   The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any other scheme must not exceed 30% of the Shares of the Company in issue from time to time ("Overriding Limit"). No options may be granted under the Share Option Scheme or any other schemes if this will result in the Overriding Limit being exceeded.

   (b) 10% limit

   Subject to the Overriding Limit and paragraphs 3(c) and 3(d) below, the total number of Shares which may be issued upon exercise of all options (excluding options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the Shares in issue as at the date of Listing (the "Listing Date"), representing 1,432,936,000 Shares.

   (c) Refreshing the 10% limit

   The Company may "refresh" the 10% limit under paragraph 3(b) above at any time subject to prior shareholder approval in general meeting. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options to be granted under any other scheme under the limit as "refreshed" shall not exceed 10% of the Shares of the Company in issue at the date on which shareholders approve the "refreshed" limit (where applicable). Options previously granted under the Share Option Scheme and any other scheme (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

SHARE OPTION SCHEME *(continued)*

A. Summary of the Share Option Scheme *(continued)*

3. Maximum number of Shares *(continued)*

(d) Exceeding the 10% limit

The Company may grant options to any Eligible Person(s) specifically identified by it which would cause the 10% limit under paragraph 3(b) above (including, for the avoidance of doubt, any such limit as "refreshed" under paragraph 3(c) above) to be exceeded, but only with the prior approval of the shareholders in general meeting, and subject always to the Overriding Limit and the Individual Limit (as defined in paragraph 3(e) below).

(e) Individual limit

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue at the date of grant of the option ("Individual Limit"). Any further grants of options to an Eligible Person which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to that Eligible Person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be subject to prior approval of the shareholders in general meeting with such Eligible Person and his associates (as defined in the Listing Rules) abstaining from voting.

4. Grant of options to connected persons

Each grant of options to a Director (including an INED), chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates, must be approved by the INEDs (excluding any INED who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an INED, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such grant of options must be approved by the shareholders in general meeting. Any shareholder who is a connected person (as defined under the Listing Rules) of the Company must abstain from voting in favor of the resolution to approve such grant of options.

5. Performance conditions

Unless the Board otherwise determines (on a case-by-case basis) and specifies in the offer of grant of an option to a grantee, a grantee is not required to achieve any performance conditions or targets before the grantee's options can be exercised.

SHARE OPTION SCHEME *(continued)*

A. Summary of the Share Option Scheme *(continued)*

6. Time of exercise of options and duration of Share Option Scheme

(a) General vesting period

The general vesting period for options granted under the Share Option Scheme is set out in the table below unless the Board specifies a different vesting period under the terms of the offer. The option period will not be more than 10 years from the date of grant.

Anniversary of grant date	**Vesting**
First	20%
Second	20%
Third	20%
Fourth	20%
Fifth	20%

An option may be exercised to the extent that it has vested and any performance conditions or targets set by the Board have been met.

(b) Duration of the Share Option Scheme

The duration of the Share Option Scheme shall be ten years from the Listing Date.

7. Exercise price and payment on grant

(a) Exercise price

The exercise price for the Shares under the Share Option Scheme shall be the price determined by the Board and notified to the option holder which shall not be less than the higher of:

(i) the average closing price of the Shares for the five business days immediately preceding the date of grant of the option as stated in the Stock Exchange's daily quotation sheets;

(ii) the closing price of the Shares as stated on the Stock Exchange's daily quotations sheet of the Shares on the date of grant of the option; and

(iii) the nominal value of the Shares.

(b) Payment on grant

Eligible Persons are not required to pay for the acceptance of an option granted to them.

8. Rights attaching to the Shares

(a) Dividends and voting rights

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares issued or transferred on the exercise of an option will rank equally in all respects with the Shares in issue on the date of issue or transfer. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of issue or transfer.

(b) Restrictions on transfer

Except for the transmission of an option on the death of an option holder to his/her personal representatives, options granted under the Share Option Scheme are personal to the grantee and neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option holder to any other person or entity. If an option holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

SHARE OPTION SCHEME *(continued)*

A. Summary of the Share Option Scheme *(continued)*

9. Lapsing provisions

(a) Immediate lapse

An option will lapse immediately on the earlier of (i) the tenth anniversary of the date the option was granted; (ii) breach of the transfer restrictions referred to in paragraph 8(b) above; and (iii) subject to paragraphs 9(b) to 9(e) below, the option holder ceasing to be an Eligible Person.

(b) Any circumstances

The Board may specify at the date of grant of the option any circumstances in which the option may lapse.

(c) Death, illness, retirement, redundancy or transfer

In the event of death, serious illness or injury, retirement, redundancy, transfer of the business or sale of the Member of the Group by which the option holder is employed or appointed, or any other circumstance which the Board decides, then any unvested options will lapse and any vested options must be exercised within 12 months or such longer period as the Board may determine. Any vested option not exercised within this period shall lapse.

(d) Resignation, misconduct or breach of contract

If an option holder resigns or if he or she is guilty of misconduct justifying the termination of his or her employment/appointment or if the option holder is in breach of any material term of his or her employment/appointment or any confidentiality agreement, non-competition agreement or non-solicitation agreement, then all options held by the option holder will lapse, whether the option is vested or not.

(e) Cessation of employment for any other reason

If an option holder ceases to be an employee for any other reason not set out in paragraphs 9(c) or 9(d) above, then any unvested options will immediately lapse and any vested options must be exercised within 30 days of the date of cessation of employment or such longer period as the Board may determine.

(f) Change of control, compromise or arrangement

In the event of a change of control of the Company or compromise or arrangement, an option holder may exercise an option to the extent it has vested within 30 days of the date of the relevant event subject to any conditions which must be satisfied. However, the above will not apply to the extent that an offer to exchange the option (in whole or in part) is made and accepted by the option holder or if the Board with the consent of the person acquiring Shares decides that the option will be automatically exchanged. Where an option is to be exchanged, the option holder will be granted a new option to replace the option granted under the Share Option Scheme but on the same terms and subject to the same rules.

(g) Winding-up

In the event of a voluntary winding-up or court sanctioned winding-up, vested options may be exercised within three months of the date of the resolution or the date of the winding-up order (whichever is applicable). All vested options not exercised within the three month period will lapse and unvested options will lapse at the end of the three month period.

(h) Cancellation of options

The Board may cancel any option only if (i) the option holder is paid an amount equal to fair market value of the Shares subject to the option less the exercise price (see paragraph 7 above); or (ii) the option holder is granted replacement options of equivalent value; or (iii) the Board makes such arrangements as the option holder may agree to compensate for the cancellation of the option.

SHARE OPTION SCHEME *(continued)*

A. Summary of the Share Option Scheme *(continued)*

10. Adjustments

If there is a special dividend, dividend in specie, demerger, capitalisation of profits or reserves, rights issue, consolidation or subdivision of Shares or reduction of the share capital of the Company (or other variation of capital), the Board may make such adjustments (if any) as they consider reasonable to (i) the number of Shares, (ii) the kind of securities subject to the option; and/or (iii) the exercise price, as the auditors or independent financial adviser appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto and the supplementary guidance issued on September 5, 2005 by the Stock Exchange, except where such adjustment is made on a capitalisation issue.

11. Amendments to the Share Option Scheme

The Board may amend any of the provisions of the Share Option Scheme (including, without limitation, amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the Share Option Scheme, other than those imposed by Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any option holder at that date).

The specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of option holders unless prior shareholder approval is obtained. Changes to the authority of the Board in relation to the alteration to any of the terms of the Share Option Scheme may only be made with the approval of the shareholders in general meeting.

Any amendment to the terms and conditions of the Share Option Scheme or the terms and conditions of an option which are of a material nature may only be made with the approval of the shareholders save where the amendments take effect automatically under the Share Option Scheme.

12. Termination and suspension

(a) Automatic termination

The Share Option Scheme will terminate automatically at midnight on the day immediately before the 10th anniversary of the Listing Date.

(b) Termination by the Board

The Board may terminate the Share Option Scheme at any time by resolving that no further options shall be granted under the Share Option Scheme. Once terminated, no new offers to grant Options under the Scheme will be made and the Board may determine whether Options which have been previously granted but not yet exercised shall either continue to be subject to the terms of the Share Option Rules (which shall remain in full force and effect to the extent necessary to give effect to such Options) or be cancelled in accordance with paragraph 9(h) above.

(c) Suspension

The Board may in the event of specific and unusual circumstances (including but not limited to capital operations requiring adjustment or redefinition of the share capital of the Company or significant negative variations in the income statement or balance sheet of the Company) at any time suspend the exercise of outstanding options to the extent not contrary to relevant law. Each suspension(s) shall not be for more than three months. The Board shall give at least eight days written notice to the option holders specifying the starting date of suspension, its duration and the expected date of resumption of the relevant suspended rights.

13. Status of the Share Option Scheme

The Share Option Scheme has been approved by the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

B. Options granted by the Company

No option has been granted by the Company under the Share Option Scheme as at March 31, 2007. On July 9, 2007, the Board approved to grant options to 88 eligible full-time employees on July 18, 2007 to subscribe for a total of 22,820,000 shares of the Company pursuant to the terms of the Share Option Scheme.

DIRECTORS' INTERESTS IN CONTRACTS

The Company only became listed on the Stock Exchange on May 18, 2007 and had no transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules for the year ended March 31, 2007. There was no contract of significance, to which the Company, or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the 2007 Financial Year or at any time during the 2007 Financial Year.

COMPETING INTEREST AND NON-COMPETE UNDERTAKING

Save as disclosed in the Prospectus section headed "Business – Competition", none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

As at March 31, 2007, the Company had not received any notice of interests to be recorded under section 336 of the SFO as the Company had not been listed on the Stock Exchange as at that date.

CORPORATE GOVERNANCE

The Company's shares were listed on the Stock Exchange on May 18, 2007. Principal corporate governance practices adopted by the Company since the Listing are set out in the Corporate Governance Report from page 26 to page 31 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the 2007 Financial Year, sales to the Group's five largest customers accounted for approximately 31.5% of the Group's total sales and the percentage of sales attributable to the Group's largest customer amounted to approximately 8.5%. Purchases from the Group's five largest suppliers accounted for approximately 24.1% of the total purchases and the percentage of purchase attributable to the Group's largest supplier amounted to approximately 6.3%.

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued shares) had any interests in the Group's five largest customers or suppliers noted above.

CONNECTED TRANSACTIONS

Particulars of related party transactions are set out in note 33 to the financial statements.

During the 2007 Financial Year, the shares of the Company had not been listed on the Stock Exchange and accordingly the Company did not have any transactions which were subject to the requirements of the Chapter 14A of the Listing Rules.

Details of continuing connected transactions and the waiver granted by the Stock Exchange to the Company from strict compliance with the announcement and independent shareholders' approval requirements under the Chapter 14A of the Listing Rules are set out in the section headed "Connected Transactions" of the Prospectus.

REMUNERATION POLICY

The remuneration of the Directors are decided by the Remuneration Committee based on the relevant Director's experience, responsibility and the time devoted to the business of the Group.

USE OF PROCEEDS

Details of the use of proceeds from the issue of the Company's shares are set out on page 12 of this annual report.

AUDIT COMMITTEE

An audit committee (the "Audit Committee") was established by the Board on April 27, 2007 with written terms of reference in compliance with the Code on Corporate Governance Practice contained in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Sze Kwok Wing, Nigel, Mr. Ng Ching Wah and Mr. Chan Yue Kwong, Michael. Mr. Sze Kwok Wing, Nigel is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management the financial statements of the Group for the 2007 Financial Year, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

SUFFICIENCY OF PUBLIC FLOAT

According to the information publicly available to the Company and to the best knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares since the Listing.

SUBSEQUENT EVENTS

Details of significant events occuring after the balance sheet date are set out in note 35 to the financial statements.

AUDITOR

The financial statements for 2007 Financial Year have been audited by PricewaterhouseCoopers. A resolution to re-appoint PricewaterhouseCoopers as auditor of the Company will be proposed for approval by shareholders of the Company at the forthcoming AGM of the Company.

On behalf of the Board
Wan Wai Loi
CHAIRMAN

Hong Kong, July 9, 2007

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of Pacific Textiles Holdings Limited (the "Company", together with its subsidiaries the "Group") recognises the importance of corporate governance practice to the success of a listed company. The Company is committed to achieve high standard of corporate governance in the interest of the shareholders of the Company.

The Company will comply with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") upon the shares of the Company are listed on the Stock Exchange on May 18, 2007 (the "Listing"). In addition to the Code, the Board also observes certain recommended best practices ("Recommended Best Practices") contained in the Appendix 14 to the Listing Rules where suitable to the Company so as to enhance the corporate governance standard of the Company.

The Company will ensure the high level of corporate governance practices to be maintained in future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Specific enquiries will be made by the Company to confirm that all Directors will have complied with the Model Code for the year ending March 31, 2008.

DIRECTORS

The Board

The Board currently has eleven members consisting of four executive directors and seven non-executive directors of which three are independent non-executive directors.

The overall management of the business of the Group is vested to the Board. The Board is responsible for setting strategic, management and financial objectives and ensuring that the interest of shareholders including those minority shareholders are protected. Daily operations and administrations of the Group are delegated to the executive Directors and the management.

Biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this annual report.

The Board will have four regular meetings every year and will meet at other times as warranted by the particular circumstances. The schedule of regular meetings for the whole year has been informed to each Director. Notices of meeting will be provided to the Directors at least 14 days before the meeting.

Notices and agenda of the Board meeting are prepared by the Company Secretary as delegated by the Chairman. All the Directors are given the opportunity to include matters in the agenda for the Board meeting.

Any material matters that would have conflict of interest between the directors/substantial shareholders and the Company will be dealt with in the Board meeting. Pursuant to the articles of association of the Company (the "Articles"), a Director is not entitled to vote on (nor is counted in the quorum) in relation to any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his associates (including any person who would be deemed to be an "associate" of the Directors under the Listing Rules) has any material interest, except in certain special circumstances. The chairman of the Board meeting is required to ensure that each Director is aware of such requirement at the commencement of each Board meeting and declaration of interest is properly made in the Board meeting where conflicts of interest arise.

Directors have access to the advices and services of the Company Secretary and key officers of the Company in relation to the board procedures. Draft minutes of Board/Board committee meetings recorded in sufficient details the matters considered by the participants of such meetings and decisions reached are forwarded to the participants for comments within a reasonable time after the meetings and final versions of minutes of board meetings and meetings of board committee are kept by the Company Secretary, which are open for inspection by Directors at any reasonable time on reasonable notice.

DIRECTORS *(continued)*

The Board *(continued)*

Directors have full and timely access to the relevant information and may seek independent professional advice at the Company's expense, if necessary, with the approval of the Board.

The Company has held one Board meeting since the Listing with the attendance of all the Directors except Mr. Lau Yiu Tong, non-executive director.

As permitted under the Articles, the Company has arranged Directors and Officers Liability Insurance against possibility of legal proceedings against Directors and management.

The Chairman and Chief Executive Officer

The Board of the Company is headed by the Chairman Mr. Wan Wai Loi, with the assistance of the Vice Chairman, Mr. Tsang Kang Po. The roles of the Chairman and the Chief Executive Officer, Mr. Lam Wing Tak are segregated and not exercised by the same individual.

The Chairman is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is responsible for the management of the Group's business and the implementation of the approved strategies of the Group. In addition, each executive director is responsible for the management of the different functions of the business of the Group.

With the support of the Company Secretary, the Chairman will ensure all the Directors are properly briefed on issues arising at Board meetings and be provided with adequate information in a timely manner.

Board Composition

The composition of the Board's members is as follows:

Executive Directors
Mr. Wan Wai Loi *(Chairman)*
Mr. Tsang Kang Po *(Vice Chairman)*
Mr. Lam Wing Tak *(Chief Executive Officer)*
Dr. Lam King Man

Non-executive Directors
Mr. Choi Kin Chung *(Emeritus Chairman)*
Mr. Ip Ping Im *(Senior Partner)*
Mr. Ho Hsiang Ming, James
Mr. Lau Yiu Tong

Independent Non-executive Directors
Mr. Chan Yue Kwong, Michael
Mr. Ng Ching Wah
Mr. Sze Kwok Wing, Nigel

Profile of the Directors is set out on pages 13 to 15 and is updated on the website of the Company.

The independent non-executive Directors are identified with their names shown in all the corporate communications.

The Board comprises directors who collectively provide core competencies, sales and marketing experience and technical knowledge in fabric business, administration and management experience in the PRC factories, financial and accounting skill. The current Board size of eleven directors with a balance of skills and experience is appropriate for effective decision making, taking into account the nature and scope of the operations of the Group.

DIRECTORS *(continued)*

Appointment and re-election of Directors

Each of the non-executive Directors (including the independent non-executive directors) was appointed for a specific term of two years but are subject to retirement by rotation and are eligible for re-election pursuant to the Articles.

All the independent non-executive Directors have declared their independence for the purpose of the Listing. The Company will receive from each of the independent non-executive Directors an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules.

Pursuant to the Articles, any director appointed by the Board either to fill a casual vacancy or as addition to the Board shall retire and be eligible for re-appointment at the next following general meeting after appointment. The appointment of directors are fixed for a specified term, but at every AGM one-third of the directors, including the Chairman, shall be subject to retirement by rotation and re-election by shareholders. The directors appointed by the Board who are subject to retirement and re-election as mentioned above shall be taken into account in calculating the total number of directors for the time being but shall not be taken into account in calculating the number of directors who are to retire by rotation. All directors eligible for re-election shall have their biographical details made available to the shareholders to enable them to make an informed decision on their re-election. Any appointment, resignation, removal or re-designation of director shall be timely disclosed to the shareholders by announcement and shall include in such announcement, the reasons given by the director for his resignation.

The Board has set up a nomination committee (the “Nomination Committee”) on April 27, 2007 with written terms of reference in compliance with the Recommended Best Practice. The terms of reference of the Nomination Committee are available on the website of the Company.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the Nomination Committee are Mr. Ng Ching Wah; Mr. Chan Yue Kwong, Michael; Mr. Sze Kwok Wing, Nigel (who are independent non-executive directors); Mr. Lam Wing Tak and Mr. Tsang Kang Po. Mr. Ng Ching Wah is the chairman of the Nomination Committee.

Responsibilities of Directors

The Company and the Board require each director to keep abreast of his responsibilities as a director of the Company and of the business and operating activities and development of the Company. Every director is required to devote sufficient time and involvement in the affairs of the Board and the material matters of the Company and to serve the Board with such degree of care and due dilligence given his own expertise, qualification and professionalism.

Every director has attended trainings provided by the legal advisers of the Company in relation to his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements. Every newly appointed director has been provided with comprehensive information of business operation of the Group, including a site visit of our factory in China on the first occasion of his appointment. A comprehensive Compliance Manual has been provided to each director and will be updated periodically. All directors will be updated and briefed the relevant changes in legal and regulatory matters to ensure that they have a proper understanding of the operations and the business of the Company and that they are fully aware of their responsibilities under the applicable laws and regulations.

The non-executive Directors attended the Board meetings and advised their opinion on the business strategy of the Company and reviewed the financial and operation performance of the Group.

Independent non-executive directors are members of the Audit Committee, the Remuneration Committee and the Nomination Committee.

DIRECTORS *(continued)*

Supply of and access to information

Agenda and accompanying board papers with adequate background information and supporting analysis are sent to the Directors at least 3 days before the intended date of the Board meeting.

All the Directors are given separate and independent access to the Company's senior management for further information and enquiries.

The Company Secretary and senior management attends all the meetings of the Board and Board committees to advise on corporate governance, statutory compliance and financial matters.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee (the "Remuneration Committee") was established by our Board on April 27, 2007 with written terms of reference in compliance with the Code. The terms of reference of the Remuneration Committee are available on the website of the Company.

The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group with reference to the nature of their work, complexity of the responsibilities and performance. No director is allowed to take part in any discussion about his own remuneration. The members of the Remuneration Committee are Mr. Chan Yue Kwong, Michael; Mr. Sze Kwok Wing, Nigel; Mr. Ng Ching Wah (who are independent non-executive directors); Mr. Lam Wing Tak and Mr. Tsang Kang Po. Mr. Chan Yue Kwong, Michael is the chairman of the Remuneration Committee.

Since the Listing, the Remuneration Committee had convened one meeting with the attendance of all the members of the Remuneration Committee.

ACCOUNTANCY AND AUDIT

Financial reporting

The Directors acknowledge their responsibilities for preparing the Company's financial statements for the Financial Year 2007 which give a true and fair view of the financial position of the Group. The Company deploys appropriate and sufficient resources to prepare and to publish interim report and annual report in accordance with statutory requirements and Hong Kong Financial Reporting Standards in a timely manner required under the Listing Rules.

Directors are provided with adequate information to enable them to make an informed assessment of financial and other information on matters for their approval.

The statement by the external auditors of the Company regarding their reporting responsibility to the shareholders on the financial statements is set out in the Independent Auditor's Report on pages 32 of this annual report.

Internal controls

The Group has in place a sound and effective internal controls to safeguard the shareholder's investment and the assets of the Group.

The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assistance of the Audit Committee, no significant deficiencies in the present internal controls have been identified in view of the structure, scale and complexity of the Group's operations and business.

ACCOUNTANCY AND AUDIT *(continued)*

Audit Committee

An audit committee (the "Audit Committee") was established by the Board on April 27, 2007 with written terms of reference in compliance with the Code. The terms of reference of the Audit Committee are available on the website of the Company.

The primary duties of the Audit Committee are to review and to approve the Group's financial reporting process and internal control system. The members of the audit committee are Mr. Sze Kwok Wing, Nigel; Mr. Ng Ching Wah and Mr. Chan Yue Kwong, Michael (who are independent non-executive directors). Mr. Sze Kwok Wing, Nigel, a Fellow of CPA Australia, is the chairman of the Audit Committee.

Since the Listing, the Audit Committee had convened two meetings with the attendance of all the members of the Audit Committee.

The Company Secretary is responsible for preparing the minutes of meetings of the Audit Committee. Minutes of meeting are circulated to the members of the Audit Committee within a reasonable time after the meeting.

The Audit Committee has reviewed the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Company's auditor. For Financial Year 2007, the fees paid/payable to the Company's auditor in respect of audit and non-audit services provided by the Company's auditor to the Group were as follows:

	HK$'000
Audit Services	1,447
Non-audit services	
– Tax consultation services	200

During the Financial Year 2007, the Company's auditor also provided non-audit services in relation to the listing of the shares of the Company on the Stock Exchange. The fee for such services will be paid and charged to the share premium account in the financial year ending March 31, 2008.

The Audit Committee has undertaken a review of all the non-audit services provided by the Company's auditor and concluded that in their opinion such services did not affect the independence of the auditor.

The Audit Committee recommended to the Board to re-appoint PricewaterhouseCoopers as the Company's external auditors for the ensuing year and the related resolutions shall be put forth in the coming AGM.

The Board has appointed a qualified accountant responsible for the accounting and financial matters of the Group and the Audit Committee has free access to the qualified accountant and senior management of the Group for any financial and relevant information which enable them to discharge their responsibilities effectively and efficiently. In addition, the Audit Committee may request for independent professional advice at the expense of the Company. The Audit Committee has met with external auditor without the presence of executive directors to discuss the Group's financial reporting and any major and financial matters.

The Audit Committee has reviewed with the management in conjunction with the auditor, the audited annual financial statements of the Group for the 2007 Financial Year and the accounting principles and practices adopted by the Group. The Annual Report for 2007 Financial Year has been reviewed by the Audit Committee.

DELEGATION BY THE BOARD

Management function

The Articles set out matters which are specifically reserved to the Board for its decision. Executive Directors normally meet on an informal basis and participate in senior management meetings on a regular basis to keep abreast of the latest operations and performance of the Group and to monitor and ensure the management carry out the directions and strategies set by the Board of directors correctly and appropriately.

Board committees

The Board has set up three Board committees, namely Audit Committee, Nomination Committee and Remuneration Committee, each chaired by different independent non-executive directors, to assist the Board in discharging functions specific to each committee. Each Board committee has its own written terms of reference setting out the principles, procedures and arrangements.

Board committees report to the Board of their decisions and recommendations at the Board meetings.

COMMUNICATION WITH SHAREHOLDERS

Effective Communication

The Board endeavours to maintain an on-going dialogue with shareholders and recognise the Company's AGM is a valuable forum for the Board to communicate directly with shareholders. All directors are encouraged to attend the general meetings to have direct communication with shareholders. In AGM, Chairman of the Board and the chairman of each committee will attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditors will also present to assist the directors in addressing any relevant queries by shareholders. The Company has also set up an investor section on the Company's website which enables the shareholders and public to post their questions, comments and opinions in relation to the Group to the Board.

The Company's AGM and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. All shareholders of the Company will receive the annual report, circulars and notices of AGM and EGM and other corporate communications. All these materials will be published on the websites of the Stock Exchange and the Company. The notices are also published in newspapers. Separate resolutions are required at general meetings on each distinct issue. A shareholder is permitted to appoint any number of proxies to attend and vote in his stead.

Voting by poll

Pursuant to the Articles, the Chairman shall demand a poll in the Company's general meetings whenever voting by poll is required under the Listing Rules. The Articles has set out the procedures, requirements and circumstances where voting by poll is required, and in corporate communications to shareholders for matters where shareholders' voting are required, the procedures for and shareholders' right to demand a poll shall be specified. Such procedure and shareholders' right are reiterated and explained by the Chairman at the commencement of the general meeting of shareholders. The results of the poll, if any, are published on the websites of the Stock Exchange and the Company.

The 2007 AGM will be held in September 2007.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF PACIFIC TEXTILES HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the financial statements of Pacific Textiles Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 75, which comprise the consolidated and Company balance sheets as at 31st 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 consolidated 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 and to report our opinion 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.

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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9th July 2007

Consolidated
Balance Sheet
As at 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	*7*	**22,050**	21,775
Property, plant and equipment	*8*	**1,197,086**	917,363
Interest in associates	*10*	**13,070**	10,024
Deferred taxation	*19*	**3,760**	5,300
Available-for-sale financial assets	*11*	**1,824**	1,830
		1,237,790	956,292
Current assets			
Inventories	*12*	**953,335**	689,900
Trade and bills receivables	*13*	**579,621**	560,215
Deposits, prepayments and other receivables	*14*	**35,391**	16,813
Derivative financial instruments	*22*	**8,618**	470
Cash and bank balances	*15*	**226,156**	131,038
		1,803,121	1,398,436
Total assets		**3,040,911**	2,354,728
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*16*	**11**	11
Reserves	*17*	**1,440,734**	1,044,485
		1,440,745	1,044,496
Minority interests		**50,748**	42,800
Total equity		**1,491,493**	1,087,296

	Note	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*18*	**415,773**	469,686
Finance lease obligations	*18*	**814**	232
		416,587	469,918
Current liabilities			
Trade and bills payables	*20*	**464,574**	419,279
Accruals and other payables	*21*	**140,806**	92,076
Borrowings	*18*	**513,628**	247,874
Finance lease obligations	*18*	**3,090**	267
Derivative financial instruments	*22*	**234**	489
Current income tax liabilities		**10,499**	37,529
		1,132,831	797,514
Total liabilities		**1,549,418**	1,267,432
Total equity and liabilities		**3,040,911**	2,354,728
Net current assets		**670,290**	600,922
Total assets less current liabilities		**1,908,080**	1,557,214

Approved by the Board of Directors on 9th July 2007:

Mr. Wan Wai Loi
Director

Mr. Tsang Kang Po
Director

The notes are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	*9*	**–**	–
Current assets			
Amounts due from subsidiaries	*33*	**234,400**	234,440
Deposits, prepayments and other receivables	*14*	**914**	–
Cash and bank balances	*15*	**41**	123
		235,355	234,563
Total assets		**235,355**	234,563
EQUITY			
Share capital	*16*	**11**	11
Reserves	*17*	**189,147**	189,155
		189,158	189,166
LIABILITIES			
Current liabilities			
Amount due to subsidiaries	*33*	**46,069**	45,263
Accruals and other payables		**128**	134
Total liabilities		**46,197**	45,397
Total equity and liabilities		**235,355**	234,563
Net current assets		**189,158**	189,166
Total assets less current liabilities		**189,158**	189,166

Approved by the Board of Directors on 9th July 2007:

Mr. Wan Wai Loi
Director

Mr. Tsang Kang Po
Director

The notes are an integral part of these consolidated financial statements.

Consolidated
Income Statement

For the year ended 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	6	**4,203,357**	3,363,029
Cost of sales		**(3,281,266)**	(2,560,773)
Gross profit		**922,091**	802,256
Other revenue	23	**39,232**	43,079
Distribution and selling expenses		**(130,507)**	(129,624)
General and administrative expenses		**(144,336)**	(165,662)
Operating profit	24	**686,480**	550,049
Finance income	26	**4,548**	5,852
Finance costs	26	**(42,169)**	(7,404)
Share of loss of associates	10	**(1,997)**	(272)
Profit before income tax		**646,862**	548,225
Income tax expense	27	**(83,216)**	(78,875)
Profit for the year		**563,646**	469,350
Attributable to:			
Equity holders of the Company	34	**555,698**	458,855
Minority interests		**7,948**	10,495
		563,646	469,350
Dividends	29	**234,000**	941,205
Earnings per share – basic and diluted (HK$ per share)	28	**0.52**	0.43

The notes are an integral part of these consolidated financial statements.

Consolidated
Statement of Changes in Equity
For the year ended 31st March 2007

	Note	Attributable to equity holders of the Company			Minority interests	Total
		Share capital	**Reserves**	**Total**		
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 16)	*(Note 17)*			
Balance at 1st April 2005		11	1,519,403	1,519,414	4,224	1,523,638
Profit for the year		–	458,855	458,855	10,495	469,350
Currency translation differences		–	7,432	7,432	–	7,432
Dividends	*29*	–	(941,205)	(941,205)	–	(941,205)
Contribution from minority shareholders		–	–	–	28,081	28,081
Balance at 31st March 2006		11	1,044,485	1,044,496	42,800	1,087,296
Profit for the year		–	555,698	555,698	7,948	563,646
Currency translation differences		–	74,551	74,551	–	74,551
Dividends	*29*	–	(234,000)	(234,000)	–	(234,000)
Balance at 31st March 2007		**11**	**1,440,734**	**1,440,745**	**50,748**	**1,491,493**

The notes are an integral part of these consolidated financial statements.

Consolidated
Cash Flow Statement

For the year ended 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flow from operating activities			
Cash generated from operations	*30(a)*	**667,644**	615,730
Interest paid		**(42,169)**	(7,404)
Hong Kong profits tax paid		**(81,296)**	(28,441)
Overseas tax paid		**(27,410)**	(19,090)
Net cash generated from operating activities		**516,769**	560,795
Cash flow from investing activities			
Purchase of property, plant and equipment		**(428,157)**	(272,187)
Prepayment of leasehold land and land use rights		**–**	(330)
Proceeds from disposal of property, plant and equipment	*30(b)*	**3,077**	1,080
Additions of available-for-sale financial assets	*11*	**(276)**	(50)
Disposals of available-for-sale financial assets	*11*	**280**	–
Investment in associates	*10*	**(4,524)**	(10,296)
Interest income received		**4,548**	5,852
Dividend income		**8**	2
Net cash used in investing activities		**(425,044)**	(275,929)
Net cash inflow before financing activities		**91,725**	284,866
Cash flow from financing activities			
Advance from a minoity shareholder		**18,947**	10,530
New borrowings		**547,548**	672,753
Repayment of borrowings		**(356,938)**	(124,018)
Repayment of capital element of finance lease obligations		**(877)**	(239)
Dividends paid	*29*	**(234,000)**	(941,205)
Net cash used in financing activities		**(25,320)**	(382,179)
Net increase/(decrease) in cash and cash equivalents		**66,405**	(97,313)
Cash and cash equivalents at the beginning of the year		**93,611**	196,654
Foreign exchange adjustment		**26,429**	(5,730)
Cash and cash equivalents at the end of the year		**186,445**	93,611
Analysis of cash and cash equivalents			
Cash and bank balances	*15(a)*	**226,156**	131,038
Bank overdrafts	*18(a)*	**(39,711)**	(37,427)
		186,445	93,611

The notes are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Pacific Textiles Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacture and trading of textile products. Its production bases are primarily located in the People's Republic of China (the "PRC") and Sri Lanka.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 18th May 2007.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 9th July 2007.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the principal accounting policies below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the years. Although these estimates are based on management's best knowledge of event and actions, actual results ultimately may differ from these estimates.

(a) Amendments and interpretations to published standards effective in 2007 and are relevant to the Group's operations

The following amendment is mandatory for accounting periods beginning on or after 1st January 2006 and are relevant to the Group's operations:

- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial Guarantee Contracts" (effective for accounting periods beginning on or after 1st January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on these consolidated financial statements.

(b) Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Group's operations:

- HKAS 21 Amendment – Net Investment in a Foreign Operation;
- HKAS 19 Amendment – Employee Benefits;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKFRS 1 Amendment – First-time Adoption of Hong Kong Financial Reporting Standards;
- HKFRS 6 – Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4 – Determining whether an Arrangement contains a Lease;
- HKFRS-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

2. BASIS OF PREPARATION *(Continued)*

(c) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following are new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1st May 2006 or later periods that the Group has not early adopted.

- HKFRS 7 "Financial Instruments: Disclosures" (effective for accounting periods beginning on or after 1st January 2007), HKAS 1 "Amendments to capital disclosures" (effective for accounting periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will adopt HKFRS 7 and the amendment to HKAS 1 from accounting periods beginning 1st April 2007.

- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1st January 2009). HKFRS 8 supersedes HKAS 14, "Segment Reporting", which requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. Management considers the adoption of HKFRS 8 will have no significant impact on the segment disclosures of the Group. The Group will apply HKFRS 8 from 1st April 2009.

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" (effective for accounting periods beginning on or after 1st May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st April 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" (effective for accounting periods beginning on or after 1st June 2006). Management believes that this interpretation should not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC)-Int 9. The Group will apply HK(IFRIC)-Int 9 from 1st April 2007.

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" (effective for accounting periods beginning on or after 1st November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill. Investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st April 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 11 "HKFRS 2 - Group and Treasury Share Transfer" (effective for accounting periods beginning on or after 1st March 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFRIC)-Int 11 from 1st April 2008 but it is not expected to have any significant impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

(d) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published that are mandatory for the accounting periods beginning on or after 1st March 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 7 "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies" (effective from 1st March 2006). This interpretation provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations.

- HK(IFRIC)-Int 12, "Service Concession Arrangements" (effective for accounting periods beginning on or after 1st January 2008). This interpretation sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

The adoption of the above amendments to standards and interpretations did not have any significant impact on the financial statements of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

3.1 Consolidated financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the applicable associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

3.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities each as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities or operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.5 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

3.6 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment other than construction in progress are calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	2% – 4%
Leasehold improvements	20%
Plant and machinery	10% – 20%
Furniture and equipment	12.5% – 25%
Motor vehicles and vessel	20% – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.6 Property, plant and equipment *(Continued)*

Construction in progress represents buildings or leasehold improvements on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and available for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are charged to the income statement.

3.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

3.8 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets

The Group classifies its financial assets as available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of financial assets classified as available-for-sale are recognised in equity. Loans and receivables are carried at amortised cost using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.9 Financial assets *(Continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision or subsequent recoveries of amounts previously written off are recognised in the income statement within distribution and selling expenses in the income statement.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.13 Forward foreign exchange contracts

Derivatives are classified as held for trading unless they are designated as hedges. Assets or liabilities in this category are classified as current assets or current liabilities if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Forward foreign exchange contracts are classified as held for trading.

Forward foreign exchange contracts are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. Changes in fair value are recognised immediately in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

3.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.17 Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred income tax liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.18 Employee benefits

(i) *Employee leave entitlement*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement benefits*

Group companies participate in various defined contribution retirement benefit schemes. A defined contribution plan is a retirement benefit scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The schemes are generally funded through payments to insurance companies or state/trustee-administered funds. The Group pays contributions on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employment costs when they are due.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.18 Employee benefits *(Continued)*

(iii) *Bonus plans*

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Advance payments received from customers prior to delivery of goods and provision of services are recorded as receipts in advance.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

3.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.22 Leases (as the lessee)

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3.25 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: commodities price risk, foreign exchange risk, credit risk, liquidity risk, cash flow interest rate risk and price risk.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

(a) Commodities price risk

Majority of the raw material used by the Group are yarn, dye and other chemical and are subject to market price risk. The Group has not used any hedging activities to hedge its exposure to market price risk.

(b) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar, United States dollar and Chinese Renminbi. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.

(c) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The carrying amount of trade receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

(d) Liquidity risk

The Group primary cash requirements have been for payment of debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of funds generated from its operations and bank borrowings. The Group's policy is to maintain sufficient cash and cash equivalents to have available funding through committed credit facilities to meet its working capital requirements. The Directors believe that the Group has maintained sufficient general banking facilities for financing capital commitment in the near future and for working capital purposes.

(e) Cash flow interest rate risk

The Group's operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. These borrowings expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(f) Price risk

The Group has no significant investments that are classified as available-for-sale. The Directors believe that the Group's exposure to price risk is insignificant.

4.2 Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and bank balances, trade and bills receivables and other receivables, and the Group's current financial liabilities, including trade and bills payables, other payables and borrowings, approximate their fair values due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial instruments traded in active markets, such as trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's non-current liabilities, including long-term bank loans and loan from minority shareholder approximate their fair values as the impact of discounting is not significant.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(b) Impairment of property, plant and equipment, leasehold land and land use rights

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Trade, bills and other receivables

The Group's management determines the provision for impairment of trade, bills and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Taxation

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates have been changed.

6. SEGMENT INFORMATION

(a) Analysis of sales by category

Sales for the year represent principally income derived from manufacturing and trading of textile products.

(b) Primary reporting format – business segments

No business segment analysis is shown as more than 90% of the Group's principal activity is manufacturing and trading of textile products.

(c) Secondary reporting format – geographical segments

The Group primarily operates in China and Hong Kong.

The Group's sales by geographical locations are determined by the final destination where the products are delivered:

	2007 **HK$'000**	2006 HK$'000
China	**1,030,283**	896,333
Hong Kong	**895,418**	675,022
Sri Lanka	**712,543**	524,722
Indonesia	**222,398**	134,109
Jordan	**177,870**	159,559
Philippines	**141,989**	94,222
Vietnam	**128,182**	135,934
USA	**105,850**	125,985
Macau	**60,526**	40,370
Honduras	**18,386**	46,569
Others	**709,912**	530,204
	4,203,357	3,363,029

6. SEGMENT INFORMATION *(Continued)*

(c) Secondary reporting format – geographical segments *(Continued)*

The Group's assets are located in the following geographical areas:

	2007 **HK$'000**	2006 HK$'000
China	**1,866,278**	1,343,027
Hong Kong	**770,772**	705,440
Sri Lanka	**286,718**	241,945
Others	**117,143**	64,316
	3,040,911	2,354,728

The Group's capital expenditure, based on where the assets are located, is allocated as follows:

	2007 **HK$'000**	2006 HK$'000
China	**399,773**	234,841
Hong Kong	**8,808**	1,422
Sri Lanka	**23,524**	36,184
Others	**249**	163
	432,354	272,610

7. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2007 **HK$'000**	2006 HK$'000
Opening balances	**21,775**	21,527
Additions	**–**	330
Amortisation	**(535)**	(390)
Currency translation differences	**810**	308
	22,050	21,775

	2007 **HK$'000**	2006 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**3,888**	3,984
In China held on:		
Land use rights of between 10 to 50 years	**16,334**	15,918
In Sri Lanka held on:		
Leases of between 10 to 50 years	**1,828**	1,873
	22,050	21,775

Amortisation of prepaid operating lease payments for the years ended 31st March 2006 and 2007 has been included in general and administrative expenses in the income statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
As at 1st April 2005							
Cost	237,074	171,939	7,151	807,870	89,068	15,887	1,328,989
Accumulated depreciation	(24,713)	–	(2,026)	(429,847)	(45,218)	(9,366)	(511,170)
Net book amount	212,361	171,939	5,125	378,023	43,850	6,521	817,819
Year ended 31st March 2006							
Opening net book amount	212,361	171,939	5,125	378,023	43,850	6,521	817,819
Currency translation differences	3,483	3,026	–	5,782	525	39	12,855
Additions	1,117	144,884	–	113,160	11,742	1,707	272,610
Disposals	(14,813)	–	–	(5,238)	(59)	–	(20,110)
Depreciation	(9,877)	–	(1,430)	(133,789)	(18,103)	(2,612)	(165,811)
Transfers	98,533	(202,652)	–	94,999	9,120	–	–
Closing net book amount	290,804	117,197	3,695	452,937	47,075	5,655	917,363
At 31st March 2006							
Cost	322,371	117,197	7,151	1,023,165	110,812	17,552	1,598,248
Accumulated depreciation	(31,567)	–	(3,456)	(570,228)	(63,737)	(11,897)	(680,885)
Net book amount	290,804	117,197	3,695	452,937	47,075	5,655	917,363
Year ended 31st March 2007							
Opening net book amount	**290,804**	**117,197**	**3,695**	**452,937**	**47,075**	**5,655**	**917,363**
Currency translation differences	**13,766**	**9,816**	**–**	**21,488**	**1,694**	**114**	**46,878**
Additions	**–**	**213,622**	**714**	**194,998**	**17,486**	**5,534**	**432,354**
Disposals	**–**	**(1,031)**	**–**	**(630)**	**(82)**	**(10)**	**(1,753)**
Depreciation	**(13,501)**	**–**	**(1,688)**	**(161,819)**	**(18,005)**	**(2,743)**	**(197,756)**
Transfers	**41,976**	**(68,565)**	**–**	**24,275**	**2,235**	**79**	**–**
Closing net book amount	**333,045**	**271,039**	**2,721**	**531,249**	**50,403**	**8,629**	**1,197,086**
At 31st March 2007							
Cost	**379,016**	**271,039**	**7,865**	**1,282,032**	**130,330**	**21,794**	**2,092,076**
Accumulated depreciation	**(45,971)**	**–**	**(5,144)**	**(750,783)**	**(79,927)**	**(13,165)**	**(894,990)**
Net book amount	**333,045**	**271,039**	**2,721**	**531,249**	**50,403**	**8,629**	**1,197,086**

8. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense recognised in the income statements is analysed as follows:

	2007 **HK$'000**	2006 HK$'000
Cost of sales	**189,605**	156,968
General and administrative expenses	**8,151**	8,843
	197,756	165,811

The carrying amount of property, plant and equipment pledged to secure bank facilities of the Group amounted to approximately HK$96,849,000 (2006: HK$97,591,000).

Summary of property, plant and equipment held under finance leases are analysed as follows:

	2007 **HK$'000**	2006 HK$'000
Cost – capitalised finance lease	**4,990**	873
Less: accumulated depreciation	**(591)**	(196)
Net book value	**4,399**	677
Depreciation for the year	**481**	135

9. INVESTMENT IN SUBSIDIARIES

	2007 **HK$'000**	2006 HK$'000
Unlisted shares, at cost	**–**	–

9. INVESTMENT IN SUBSIDIARIES *(Continued)*

As at 31st March 2007, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid up share capital/registered capital	Equity interest attributable to the Group Direct	Equity interest attributable to the Group Indirect	Principal activities
Pacific Textiles Limited	Hong Kong	HK$103,000,000	–	100%	Textiles trading
Pacific Overseas Textiles Macao Commercial Offshore Limited	Macau	MOP1,030,000	–	100%	Textiles trading
Textured Jersey Lanka (Private) Limited	Sri Lanka	Rs1,597,229,000	–	52%	Textiles manufacturing and trading
Pacific (Panyu) Textiles Limited *(i)*	Mainland China	Registered/ paid up capital US$55,700,000	–	100%	Manufacture and sale of textile products
Pacific Textured Jersey Holdings Ltd.	British Virgin Islands	HK$1	100%	–	Investment holding
Pacific Textiles Overseas Holdings Ltd.	British Virgin Islands	HK$1	100%	–	Investment holding
Pacific HK & China Holdings Ltd.	British Virgin Islands	HK$1	100%	–	Investment holding
Pacific SPM Holdings Ltd.	British Virgin Islands	HK$1	100%	–	Investment holding
Solid Ally International Ltd.	British Virgin Islands	HK$1	100%	–	Investment holding
Lehan Resources Ltd.	British Virgin Islands	HK$1	100%	–	Investment holding
Pacific/Textured Jersey Ltd.	United Kingdom	GBP100	–	100%	Fabrics agency

Note:

(i) Company established as wholly foreign owned enterprise in Mainland China.

10. INTEREST IN ASSOCIATES

Movements of share of net assets of associates are as follows:

	2007 **HK$'000**	2006 HK$'000
Beginning of the year	**10,024**	–
Capital injection *(Note)*	**4,524**	10,296
Currency translation differences	**519**	–
Share of results		
– loss for the year	**(1,997)**	(272)
End of the year	**13,070**	10,024

Note:

On 19th September 2005, the Group subscribed for a 33% equity interest in SPM Automotive Textile Co., Ltd. at a cash consideration of HK$10,296,000. The other 67% equity interests are owned by independent third parties.

On 25th May 2006, the Group subscribed for a 50% equity interest in Fillattice-Pacific Ltd. at a cash consideration of HK$1,950,000. The other 50% equity interest is owned by an independent third party.

During the year ended 31st March 2007, the Group injected further capital of HK$2,574,000 in SPM Automotive Textile Co., Ltd..

The particulars of the associates as at 31st March 2007 are set out as follow:

Name of associate	**Place of incorporation/ establishment/ operation**	**Issued and fully paid up share capital/ registered capital**	**Equity interest attributable to the Group**	**Principal activities**
SPM Automotive Textile Co., Ltd. *(i)*	Mainland China	Registered/ paid up capital US$5,000,000	33%	Manufacturing and trading of vehicles related textiles products
Fillattice-Pacific Ltd.	Hong Kong	HK$3,900,000	50%	Trading of textiles products

Note:

(i) Company established as wholly foreign owned enterprise in Mainland China.

10. INTEREST IN ASSOCIATES *(Continued)*

The Group's share of assets, liabilities, commitments and results of interest in associates were as follows:

	2007 HK$'000	2006 HK$'000
Total assets	**16,050**	10,245
Total liabilities	**2,980**	221
Commitments	**–**	2,574

	2007 HK$'000	2006 HK$'000
Revenue	**2,827**	–
Loss for the year	**1,997**	272

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007 HK$'000	2006 HK$'000
Beginning of the year	**1,830**	1,780
Additions	**276**	50
Disposals	**(282)**	–
End of the year	**1,824**	1,830
Trading securities listed in Hong Kong, at fair value	**83**	85
Club debentures, at fair value	**1,741**	1,745
	1,824	1,830

12. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**675,153**	469,055
Work-in-progress	**102,338**	88,368
Finished goods	**140,653**	101,520
Consumables	**35,191**	30,957
	953,335	689,900

12. INVENTORIES *(Continued)*

The cost of inventories recognised as expense and included in cost of sales during the year amounted to HK$2,852,552,000 (2006: HK$2,251,522,000).

There were no inventories carried at net realisable value as at 31st March 2006 and 2007.

Inventories pledged as security for the banking facilities available to the Group amounted to approximately HK$78,000,000 (2006: HK$70,200,000).

13. TRADE AND BILLS RECEIVABLES

	2007 HK$'000	2006 HK$'000
Trade receivables	**461,611**	471,802
Bills receivables	**133,010**	122,143
	594,621	593,945
Less: provision for impairment of trade receivables	**(15,000)**	(33,730)
	579,621	560,215

The carrying amounts of trade and bills receivables approximate their fair values.

Majority of the Group's sales are with credit terms of 30 to 60 days. The ageing analysis of the trade and bills receivables were as follows:

	2007 HK$'000	2006 HK$'000
0–60 days	**449,994**	482,470
61–120 days	**121,118**	88,616
Over 120 days	**23,509**	22,859
	594,621	593,945

The Group has no significant concentration of credit risk with respect to trade and bills receivables. The Group's credit risk control policy is disclosed in Note 4.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Group

	2007 HK$'000	2006 HK$'000
Rental, utility and other deposits	**416**	366
Prepayments	**15,388**	5,319
Tax recoverable	**15,928**	10,263
Insurance claims recoverable	**1,194**	–
Other receivables	**2,465**	865
	35,391	16,813

(b) Company

	2007 HK$'000	2006 HK$'000
Other receivables	**914**	–

The carrying amounts of deposits, prepayments and other receivables approximate their fair values.

15. CASH AND BANK BALANCES

(a) Group

	2007 HK$'000	2006 HK$'000
Cash at bank and in hand	**117,458**	78,235
Short-term bank deposits	**108,698**	52,803
	226,156	131,038

The effective interest rate on short-term bank deposits was 3.9% (2006: 3.5%) for the year; these deposits have an average maturity of 4 days (2006: 15 days).

Cash at bank earns interest at floating rates based on daily bank deposit rates.

15. CASH AND BANK BALANCES *(Continued)*

(a) Group *(Continued)*

Cash and bank balances were denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong Dollar	**79,039**	75,189
Chinese Renminbi ("RMB")	**41,914**	15,045
US Dollar	**101,496**	36,948
Others	**3,707**	3,856
	226,156	131,038

The Group's cash and cash equivalents denominated in RMB are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government.

(b) Company

	2007 HK$'000	2006 HK$'000
Cash at bank and in hand	**41**	123

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash and bank balances were denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong Dollar	**5**	8
US Dollar	**36**	115
	41	123

16. SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
50,000,000 ordinary shares of HK$0.001 each	**50**	50
Issued and fully paid:		
10,747,020 ordinary shares of HK$0.001 each	**11**	11

(a) On 27th April 2007, the Company's authorised share capital was increased by HK$4,950,000 by the creation of 4,950,000,000 shares of HK$0.001 each.

(b) On 27th April 2007, the Company's share option scheme was approved by the Board of Directors. The Board of Directors may, under the share option scheme, grant options to eligible full-time employees, directors or non-executive directors of the Group.

(c) On 17th May 2007, 1,063,954,980 shares of HK$0.001 each were allotted and issued to the then equity shareholders of the Company in proportion to their respective shareholdings, by the capitalisation of HK$1,063,955 from the share premium account as payment in full of par value.

(d) On 17th and 18th May 2007, 358,234,000 shares of HK$0.001 each were allotted and issued for cash at a price of HK$5.35 per share.

17. RESERVES

(a) Group

	Share premium HK$'000	Capital reserves *note (i)* HK$'000	Legal reserve *note (ii)* HK$'000	Statutory reserves *note (iii)* HK$'000	Foreign currency translation reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2005	177,314	11,299	500	4,695	2,141	1,323,454	1,519,403
Profit attributable to equity holders of the Company	–	–	–	–	–	458,855	458,855
Transfer to statutory reserves	–	–	–	9,604	–	(9,604)	–
Currency translation differences	–	–	–	–	7,432	–	7,432
Dividends	–	–	–	–	–	(941,205)	(941,205)
At 31st March 2006	**177,314**	**11,299**	**500**	**14,299**	**9,573**	**831,500**	**1,044,485**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**–**	**555,698**	**555,698**
Transfer to statutory reserves	**–**	**–**	**–**	**20,603**	**–**	**(20,603)**	**–**
Currency translation differences	**–**	**–**	**–**	**–**	**74,551**	**–**	**74,551**
Dividends	**–**	**–**	**–**	**–**	**–**	**(234,000)**	**(234,000)**
At 31st March 2007	**177,314**	**11,299**	**500**	**34,902**	**84,124**	**1,132,595**	**1,440,734**

17. RESERVES *(Continued)*

(b) Company

	Share premium HK$'000	Capital reserves *(note i)* HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2005	177,314	10,299	211	187,824
Profit for the year	–	–	942,536	942,536
Dividends	–	–	(941,205)	(941,205)
At 31st March 2006	**177,314**	**10,299**	**1,542**	**189,155**
Profit for the year	**–**	**–**	**233,992**	**233,992**
Dividends	**–**	**–**	**(234,000)**	**(234,000)**
As at 31st March 2007	**177,314**	**10,299**	**1,534**	**189,147**

Notes:

(i) Capital reserves represent the difference between the nominal value of shares of subsidiaries acquired pursuant to a reorganisation in November 2004 over the nominal value of the share capital of the Company issued in exchange thereof.

(ii) In accordance with relevant Macao Commercial Code, the subsidiary incorporated in Macau, Pacific Overseas Textiles Macao Commercial Offshore Limited, is required to set aside a minimum of 25% of its profit after taxation to legal reserve until the balance of this reserve reaches a level equivalent to 50% of its capital. As at 31st March 2005, the appropriation to legal reserve of the subsidiary has reached 50% of its capital.

(iii) As stipulated by regulations in Mainland China, the Company's subsidiary established and operated in Mainland China is required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to statutory reserves at a rate of 10%. The statutory reserves are non-distributable.

18. BORROWINGS

Borrowings are analysed as follows:

	2007 HK$'000	2006 HK$'000
Bank and other borrowings *(Note (a))*	**929,401**	717,560
Finance lease obligations *(Note (b))*	**3,904**	499
	933,305	718,059

18. BORROWINGS *(Continued)*

(a) Bank and other borrowings

	2007 HK$'000	2006 HK$'000
Non-current		
Long-term bank loans – secured	**31,800**	33,402
Long-term bank loans – unsecured	**606,840**	546,000
Loan from a minority shareholder *(Note)*	**30,443**	11,496
	669,083	590,898
Less: current portion of long-term bank loans	**(253,310)**	(121,212)
	415,773	469,686
Current		
Current portion of long-term bank loans – secured	**19,310**	–
Current portion of long-term bank loans – unsecured	**234,000**	121,212
Short-term bank loans – secured	**65,607**	59,235
Short-term bank loans – unsecured	**155,000**	30,000
Bank overdrafts – secured	**11,662**	10,504
Bank overdrafts – unsecured	**28,049**	26,923
	513,628	247,874
Total borrowings	**929,401**	717,560

Note: Loan from Linea Clothing (Private) Limited, 48% minority shareholder of Textured Jersey Lanka (Private) Limited, is unsecured, interest-free and has no fixed repayment terms.

The carrying amounts of the borrowings are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong Dollar	**789,889**	602,922
US Dollar	**135,214**	109,265
Sri Lankan Rupee	**4,298**	5,373
	929,401	717,560

18. BORROWINGS *(Continued)*

(a) Bank and other borrowings *(Continued)*

The effective interest rate (per annum) at the balance sheet date were as follows:

	2007			2006		
	HK$	**US$**	**LKR**	HK$	US$	LKR
Bank overdrafts	**7%–8%**	**6.4%**	**23.0%**	7%–8%	6.5%	20.0%
Bank loans	**5%**	**7.0%**	**8.5%**	5%	6.5%	8.5%
Other loans	**–**	**0%**	**–**	–	0%	–

The carrying amounts of all bank borrowings approximate their fair values, as the impact of discounting is not significant.

Bank overdrafts and loans are primarily being charged interest at floating rates of up to HIBOR + 1% and between LIBOR + 1% and LIBOR + 2% per annum.

The maturity of borrowings is as follows:

	2007 **HK$'000**	2006 HK$'000
Wholly repayable within 5 years	**929,401**	717,560

The borrowings are repayable as follows:

	2007 **HK$'000**	2006 HK$'000
Within 1 year	**513,628**	247,874
Between 1 and 2 years	**382,242**	182,976
Between 2 and 5 years	**33,531**	286,710
	929,401	717,560

18. BORROWINGS *(Continued)*

(b) Finance lease obligations

At 31st March 2007, the Group had obligations under finance lease repayable as follows:

	2007 HK$'000	2006 HK$'000
Finance lease liabilities – minimum lease payments:		
– Not later than 1 year	**3,231**	304
– Later than 1 year and not later than 5 years	**883**	253
	4,114	557
Future finance charges on finance leases	**(210)**	(58)
Present value of finance lease obligations	**3,904**	499

	2007 HK$'000	2006 HK$'000
The present value of finance lease liabilities is as follow:		
– Not later than 1 year	**3,090**	267
– Later than 1 year and not later than 5 years	**814**	232
	3,904	499

19. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates which is expected to apply at the time of reversal of the temporary differences.

The movement in the deferred taxation account is as follows:

	2007 HK$'000	2006 HK$'000
Beginning of the year	**5,300**	2,850
Recognised in the income statement *(Note 27)*	**(1,540)**	2,450
End of the year	**3,760**	5,300

19. DEFERRED TAXATION *(Continued)*

The movement in deferred tax assets and liabilities during the year without taking into consideration of the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Accelerated tax depreciation HK$'000
At 1st April 2005	(1,560)
Recognised in the income statement	1,340
At 31st March 2006	(220)
Recognised in the income statement	(530)
At 31st March 2007	**(750)**

Deferred tax assets:

	Provision HK$'000
At 1st April 2005	4,410
Recognised in the income statement	1,110
At 31st March 2006	5,520
Recognised in the income statement	(1,010)
At 31st March 2007	**4,510**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2007 **HK$'000**	2006 HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after 12 months	**4,510**	5,520
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after 12 months	**(750)**	(220)
Net deferred tax assets	**3,760**	5,300

20. TRADE AND BILLS PAYABLES

	2007 HK$'000	2006 HK$'000
Trade payables	**273,869**	241,220
Bills payables	**190,705**	178,059
	464,574	419,279

Trade and bills payables approximate their fair value.

The credit period granted by the creditors generally ranges from 30 to 60 days. The ageing analysis of the trade and bills payables were as follows:

	2007 HK$'000	2006 HK$'000
0–60 days	**374,190**	352,221
61–120 days	**87,568**	58,802
Over 120 days	**2,816**	8,256
	464,574	419,279

21. ACCRUALS AND OTHER PAYABLES

	2007 HK$'000	2006 HK$'000
Accruals for other operating expenses	**45,338**	40,203
Provision for staff welfare and other related costs	**83,834**	47,411
Provision for bonus	**9,322**	3,500
Provision for loan interest	**1,460**	94
Other payables	**852**	868
	140,806	92,076

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 HK$'000	2006 HK$'000
Forward foreign exchange contracts – held for trading		
– Assets	**8,618**	470
– Liabilities	**234**	489

23. OTHER REVENUE

	2007 HK$'000	2006 HK$'000
Sub-contracting income	**15,743**	12,379
Sale of residual materials	**23,481**	19,202
Waiver of a loan from Textured Jersey UK Limited, an ex-shareholder of Textured Jersey Lanka (Private) Limited	**–**	11,496
Dividend income from listed investments	**8**	2
	39,232	43,079

24. OPERATING PROFIT

The following items have been charged/(credited) to operating profit:

	2007 HK$'000	2006 HK$'000
Depreciation of property, plant and equipment *(Note 8)*	**197,756**	165,811
Amortisation of leasehold land and land use rights *(Note 7)*	**535**	390
Cost of inventories sold	**2,852,552**	2,251,522
(Reversal of)/provision for bad and doubtful debts	**(18,730)**	10,958
Write-off of bad and doubtful debts	**1,672**	6,567
Impairment of other receivables	**21,983**	6,591
Employment costs *(Note 25)*	**311,099**	226,611
Operating lease rental of land and buildings	**3,612**	2,207
(Gain)/loss on disposal of property, plant and equipment *(Note 30(b))*	**(1,324)**	19,030
Provision for slow-moving and obsolete inventories	**18,700**	–
Goodwill write-off	**–**	10,443
Net exchange gains	**(11,917)**	(16,471)
Auditor's remuneration	**1,447**	1,519

25. EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Wages, salaries, bonus and allowances	**251,482**	189,748
Provision for long-service payment	**438**	379
Retirement benefit – defined contribution schemes *(Note (a))*	**7,952**	6,949
Staff welfare and benefits	**51,227**	29,535
	311,099	226,611

25. EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Retirement benefit – defined contribution schemes

The Company's subsidiary in Mainland China is a member of the state-managed retirement benefits scheme operated by the Government of Mainland China. The Group contributes a certain percentage of the basic salaries of the subsidiary's employees, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-managed retirement plans are responsible for the entire pension obligations payable to the retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

The Group has arranged for its Sri Lanka employees to join the Employees' Provident Fund ("EPF") and Employees' Trust Fund ("ETF"). Under these defined contribution plans, the Group contributes 12% and 3% of the employees' monthly gross emoluments to the EPF and ETF, respectively.

(b) Directors' emoluments

The remuneration of every director of the Company for the year ended 31st March 2007 is set out below:

	Fees	Salaries	Discretionary bonuses	Housing allowances	Employer's Contribution to retirement schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Ip Ping Im	–	–	–	–	–	–
Choi Kin Chung	–	–	–	–	–	–
Wan Wai Loi	1,500	2,790	3,415	–	12	7,717
Tsang Kang Po	1,000	2,900	2,799	–	12	6,711
Lam Wing Tak	1,000	2,900	3,175	–	12	7,087
Lam King Man	1,000	1,650	1,781	–	12	4,443
Ho Hsiang Ming, James	–	–	–	–	–	–
Lau Yiu Tong	–	–	–	–	–	–
Chan Yue Kwong, Michael	–	–	–	–	–	–
Ng Ching Wah	–	–	–	–	–	–
Sze Kwok Wing, Nigel	–	–	–	–	–	–
	4,500	10,240	11,170	–	48	25,958

25. EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Directors' emoluments *(Continued)*

The remuneration of every director of the Company for the year ended 31st March 2006 is set out below:

	Fees	Salaries	Discretionary bonuses	Housing allowances	Employer's Contribution to retirement schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Ip Ping Im	–	–	–	–	–	–
Choi Kin Chung	–	–	–	–	–	–
Wan Wai Loi	1,500	1,670	–	–	12	3,182
Tsang Kang Po	1,000	1,574	–	–	12	2,586
Lam Wing Tak	1,000	1,825	–	–	12	2,837
Lam King Man	1,000	1,284	–	–	12	2,296
Ho Hsiang Ming, James	–	–	–	–	–	–
	4,500	6,353	–	–	48	10,901

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 4 directors (2006: 3 directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 individual (2006: 2 individuals) for the year ended 31st March 2007 are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, housing allowances and other allowances	**2,073**	3,720
Discretionary bonuses	**1,383**	2,740
Retirement benefit – defined contribution schemes	**12**	24
	3,468	6,484

The number of non-directors with emoluments fell within the following bands:

	2007	2006
HK$3,000,001 – HK$3,500,000	**1**	2

26. FINANCE INCOME AND COSTS

	2007 HK$'000	2006 HK$'000
Finance income:		
– bank interest income	**4,548**	5,852
Finance costs:		
– bank loans and overdrafts	**42,064**	7,366
– finance lease obligations	**105**	38
	42,169	7,404

27. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year.

The subsidiary established in Mainland China as a wholly-owned foreign enterprise is entitled to full exemption from enterprise income tax for the first two years and 50% reduction in enterprise income tax for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from previous years. Thereafter the subsidiary is entitled to a 50% reduction in enterprise income tax in accordance with the applicable tax regulations. The subsidiary established and operated in Mainland China is subject to enterprise income tax at rate of 12% (2006: 12%), after the 50% reduction, for the year. On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law standardises the corporate income tax rate to 25% with effect from 1st January 2008. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and account for any change in accounting estimate.

The subsidiary established and operated in Sri Lanka, Textured Jersey Lanka (Private) Limited, is exempted from income tax on its profits for a period of 12 years from the first year of commencement of commercial operations in September 2001.

The amount of taxation charged to the consolidated income statement represents:

	2007 HK$'000	2006 HK$'000
Current income tax		
– Hong Kong profits tax	**57,492**	65,819
– Mainland China income tax	**24,401**	16,664
– Others	**15**	–
Over provision	**(232)**	(1,158)
Deferred taxation *(Note 19)*	**1,540**	(2,450)
	83,216	78,875

27. INCOME TAX EXPENSE *(Continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

	2007 HK$'000	2006 HK$'000
Profit before income tax	**646,862**	548,225
Tax calculated at weighted average domestic tax rate applicable to profits in the respective places/countries	**78,998**	79,698
Income not subject to tax	**(1,444)**	(3,420)
Expenses not deductible for tax purposes	**5,960**	3,850
Over provision in prior years	**(232)**	(1,158)
Others	**(66)**	(95)
	83,216	78,875

The weighted average applicable tax rate was:

	2007	2006
Weighted average domestic applicable tax rate	**12.2%**	14.5%

The change in weighted average applicable tax rate above is mainly caused by a change in mix of profit earned in different tax jurisdictions while there were no significant changes in the respective tax rates.

28. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue, a total of 1,074,702,000 ordinary shares were deemed to be in issue since 1st April 2005 after taking into consideration of the effect of the capitalisation issue as detailed in Note 16(c).

	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the Company	**555,698**	458,855
Weighted average number of ordinary shares in issue (thousands)	**1,074,702**	1,074,702
Basic earnings per share (HK$ per share)	**0.52**	0.43

(b) Diluted

No diluted earnings per share have been presented as the Company does not have any dilutive potential ordinary shares.

29. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Dividends declared and paid by the Company	**234,000**	941,205

On 26th April 2007, the Board of Directors of the Company declared a special dividend of HK$780 million payable to the then equity holders of the Company. This dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31st March 2008.

30. CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2007 HK$'000	2006 HK$'000
Profit before income tax	**646,862**	548,225
Adjustment for:		
Share of loss of associates	**1,997**	272
Depreciation of property, plant and equipment	**197,756**	165,811
Amortisation of leasehold land and land use rights	**535**	390
(Gain)/loss on disposal of property, plant and equipment	**(1,324)**	19,030
Loss on disposal of available-for-sale financial assets	**2**	–
Interest income	**(4,548)**	(5,852)
Interest expense	**42,169**	7,404
Dividend income	**(8)**	(2)
Write-off of goodwill	**–**	10,443
Operating profit before working capital changes	**883,441**	745,721
Increase in inventories	**(263,435)**	(159,159)
Increase in trade and bills receivables	**(19,406)**	(113,720)
Increase in derivative financial instruments – assets	**(8,148)**	(470)
(Decrease)/increase in derivative financial instruments – liabilities	**(255)**	489
(Increase)/decrease in deposits, prepayments and other receivables	**(18,578)**	15,325
Increase in trade and bills payables	**45,295**	96,977
Increase in accruals and other payables	**48,730**	30,567
Cash generated from operations	**667,644**	615,730

(b) In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2007 HK$'000	2006 HK$'000
Net book amount *(Note 8)*	**1,753**	20,110
Gain/(loss) on disposal of property, plant and equipment	**1,324**	(19,030)
Proceeds from disposal of property, plant and equipment	**3,077**	1,080

(c) Significant non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK$4,197,000 (2006: HK$423,000).

31. CONTINGENT LIABILITIES

As at 31st March 2007, the Group had no material contingent liabilities (2006: HK$Nil).

32. COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2007 HK$'000	2006 HK$'000
Property, plant and equipment		
Contracted but not provided for	**72,320**	69,317

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases of land and buildings, as follows:

	2007 HK$'000	2006 HK$'000
Not later than 1 year	**2,299**	265
Later than 1 year and not later than 5 years	**1,004**	–
	3,303	265

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following transactions were carried out with related parties:

(a) Sales of goods

Continuing

	2007 HK$'000	2006 HK$'000
A minority shareholder and its related parties *(Note (i))*	**332,341**	324,346
A related party *(Note (ii))*	**12,568**	15,335
	344,909	339,681

Goods are sold at prices mutually agreed by both parties.

(b) Management charges

	2007 HK$'000	2006 HK$'000
A minority shareholder and its related parties *(Note (i))*	**457**	442

33. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Year-end balances (included in trade receivables and trade payables) arising from sales/purchases of goods:

	2007 HK$'000	2006 HK$'000
Receivables from related parties	**38,597**	39,171
A minority shareholder and its related parties *(Note (i))*	**1,337**	4,874
A related party *(Note (ii))*	**39,934**	44,045
Payables to related parties		
A minority shareholder *(Note (i))*	**2,021**	2,437

Notes:

(i) Linea Clothing (Private) Limited is a minority interest shareholder, with 48% equity interest, of Textured Jersey Lanka (Private) Limited. Its related parties include its holding company and fellow subsidiaries.

(ii) Companies controlled by Mr. Henry Choi Wing Kong, son of Mr. Choi Kin Chung, a director of the Company, is a related party of the Company.

(d) Key management compensation

	2007 HK$'000	2006 HK$'000
Wages, salaries, bonus and allowances	**38,979**	21,552
Retirement benefits – defined contribution schemes	**84**	90
	39,063	21,642

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

34. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$233,992,000 (2006: HK$ 942,536,000).

35. SUBSEQUENT EVENTS

Except as disclosed in notes 16, 29 and this note, there were no significant events subsequent to 31st March 2007.

On 18th May 2007, the Company completed its global offering of 358,234,000 shares and listing of its shares on the Main Board of the Stock Exchange. The gross proceeds from the Company's global offering amounted to approximately HK$1,917 million and the total share premium resulted from the global offering amounted to approximately HK$1,916 million.

On 9th July 2007, the Board of Directors of the Company approved to grant options to 88 eligible full-time employees on 18th July 2007 to subscribe for a total of 22,820,000 shares of the Company.

Financial Summary

CONSOLIDATED RESULTS

	Year ended March 31,			
	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Revenue	2,265,821	2,922,840	3,363,029	**4,203,357**
Gross profit	637,313	639,461	802,256	**922,091**
Equity holders of the Company	307,299	351,679	458,855	**555,698**
Minority interests	–	(1,255)	10,495	**7,948**
	307,299	350,424	469,350	**563,646**

CONSOLIDATED BALANCE SHEET

	As at March 31,			
	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Non-current assets	624,429	854,419	956,292	**1,237,790**
Current assets	1,194,793	1,230,243	1,398,436	**1,803,121**
Total assets	1,819,222	2,084,662	2,354,728	**3,040,911**
Current liabilities	674,315	479,400	797,514	**1,132,831**
Total assets less current liabilities	1,144,907	1,605,262	1,557,214	**1,908,080**
Non-current liabilities	26,776	81,624	469,918	**416,587**
Total equity	1,118,131	1,523,638	1,087,296	**1,491,493**
Net current assets	520,478	750,843	600,922	**670,290**
Equity shareholders of the Company	1,118,131	1,519,414	1,044,496	**1,440,745**
Minority interests	–	4,224	42,800	**50,748**
	1,118,131	1,523,638	1,087,296	**1,491,493**