THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Pacific Textiles Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION
FORMATION OF JOINT VENTURE

Advised by

ANGLO CHINESE CORPORATE FINANCE, LIMITED 英高

A letter from the board of directors of the Company is set out on pages 4 to 15 of this circular.

A notice convening the Extraordinary General Meeting of the Company to be held at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on 15 January 2009 at 11:00 a.m. is set out on pages 93 to 94 of this circular. A form of proxy for use in connection with the Extraordinary General Meeting is enclosed herewith.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of the Company in Hong Kong at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

* *For identification purpose only*

Hong Kong, 24 December 2008

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DEFINITIONS

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

"Announcement"	announcement of the Company dated 28 November 2008
"Board"	the board of directors of the Company
"Bros"	Bros Eastern Company Ltd., a company incorporated in the PRC with limited liability
"Bros JV Agreement"	the agreement dated 28 November 2008 entered into between the Singapore JV and Bros, upon the execution of the Shareholders' Agreement, in relation to the establishment of a new company in Bangladesh to operate a spinning mill
"BVI"	The British Virgin Islands
"connected persons"	has the meaning ascribed under the Listing Rules
"Company"	Pacific Textiles Holdings Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange
"Crystal"	Justice Faith Holdings Limited, a company incorporated in the BVI with limited liability, which is a wholly-owned subsidiary of Crystal International Limited
"Crystal Group"	Crystal International Limited, a company incorporated in Bermuda with limited liability, and its subsidiaries (including Crystal)
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held on 15 January 2009 to consider, and if thought fit, approve, amongst other things, the Shareholders' Agreement and the transactions contemplated thereunder
"Fast Retailing"	Fast Retailing Co., Ltd., a company incorporated in Japan with limited liability and listed on the Tokyo Stock Exchange since July 1997

"Group"	the Company together with its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"JV Company"	King Jumbo, being the jointly-controlled entity which shall be owned by Pacific and Crystal upon completion of the Shareholders' Agreement
"King Jumbo"	King Jumbo Investment Limited, a company incorporated in the BVI with limited liability
"Latest Practicable Date"	19 December 2008, being the latest practicable date before the printing of this circular for ascertaining certain information
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as enforced at the relevant time
"non-voting Shares"	shares in the JV Company which shall carry no voting rights but, subject to certain limit not relevant to this Transaction for practical purposes, shall entitle the holders to participate in the distribution of the JV Company in the same way as the voting Shares
"Pacific"	Goodscore Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share"	shares in the capital of the JV Company, comprising voting Shares and non-voting Shares of par value US$1 each
"Shareholders' Agreement"	the shareholders' agreement dated 28 November 2008, entered into between Pacific, Crystal and King Jumbo in relation to the Transaction
"Singapore JV"	CPAT (Singapore) Private Ltd., a company incorporated in Singapore with limited liability
"Singapore JV Agreement"	the agreement dated 28 November 2008 entered into between the JV Company, Trendit and Fast Retailing, upon the execution of the Shareholders' Agreement, in relation to the joint investment in the Singapore JV

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the financial commitment made or to be made by the Company in the JV Company for an aggregate amount of US$33,864,000 pursuant to the Shareholders' Agreement
"Trendit"	Trendit Corporation, a company incorporated in the Cayman Islands with limited liability
"U.S."or "United States"	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"US$"	United Stated dollars, the lawful currency of the U.S.
"voting Shares"	shares in the JV Company which shall carry voting rights
"%"	per cent

For the purpose of this circular, unless otherwise specified, the conversion of US$ into HK$ is based on the exchange rate of US$1.00 = HK$7.80.

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)

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
Mr. Vivek KALRA
(Alternate Director to Mr. Ho Hsiang Ming, James)

Independent Non-executive Directors
Mr. CHAN Yue Kwong, Michael
Mr. NG Ching Wah
Mr. SZE Kwok Wing, Nigel

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
7th Floor, Block B,
Eastern Sea Industrial Building
48-56 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

24 December 2008

Dear Shareholders,

MAJOR TRANSACTION
FORMATION OF JOINT VENTURE

INTRODUCTION

Reference is made to the Announcement, in which it was stated that on 28 November 2008, Pacific, a wholly-owned subsidiary of the Company, Crystal and King Jumbo, entered into the Shareholders' Agreement pursuant to which Pacific and Crystal agreed to jointly invest in King Jumbo, the JV Company.

* *For identification purpose only*

Upon the completion of the Shareholders' Agreement, the Company (via its direct interest in Pacific) and Crystal will hold 51% and 49% of the effective economic interests in the JV Company respectively. Each of them will hold 50% of the total issued voting Shares in the JV Company. In addition, the Company (via its direct interest in Pacific) will hold a 2% shareholding in the form of non-voting Shares in the JV Company. Accordingly, the interest of Pacific in the JV Company will be accounted for as "interests in jointly-controlled entity" in the consolidated accounts of the Company using the equity accounting method after completion of the Shareholders' Agreement.

The purpose of this circular is (i) to provide the shareholders of the Company with information including, amongst other things, details of the Transaction and Shareholders' Agreement; and (ii) to give the shareholders of the Company notice of the EGM and other information in accordance with the requirements of the Listing Rules.

THE SHAREHOLDERS' AGREEMENT

Date

28 November 2008

Parties

(a) Pacific;

(b) Crystal; and

(c) King Jumbo, the JV Company

As at the date of the Shareholders' Agreement, King Jumbo had an authorised share capital of US$50,000 and an issued share capital of US$100, comprising 100 shares, which were wholly owned by Crystal.

Principal business of the JV Company

Upon the completion of the Shareholders' Agreement, King Jumbo, the JV Company, will be principally engaged in holding, managing, administering its interests in the Singapore JV and providing the necessary capital and overall management supervision services to the Singapore JV and, or its subsidiaries to facilitate the establishment of its fabric and garment production facilities in Bangladesh. The JV Company will, via its investment in the Singapore JV, establish in Bangladesh a fabric production factory and certain common support facilities, including power plant and water treatment facilities, and establish a garment production factory and information technology systems.

Initial subscriptions of Shares

At completion of the Shareholders' Agreement, an extraordinary general meeting of the JV Company will be held to approve, amongst other things, (1) the increase in the authorised share capital of the JV Company from US$50,000 to US$30,000,000 by the creation of 29,350,000 voting Shares and 600,000 non-voting Shares, and (2) the classification of the existing 50,000 shares in the authorised share capital of the JV Company (including the 100 issued shares held by Crystal) as voting Shares.

Pursuant to the terms of the Shareholders' Agreement,

(a) Pacific shall subscribe for 24,500 voting Shares and 1,000 non-voting Shares in the JV Company at US$25,500 for the subscription for such voting and non-voting Shares at par; and

(b) Crystal shall subscribe for 24,400 voting Shares, in addition to the 100 voting shares of the JV Company already held by it, in the JV Company at US$24,400 for the subscription for such voting Shares at par.

As a result of the subscriptions for Shares mentioned above, upon the completion of the Shareholders' Agreement, the Company (via its direct interest in Pacific) and Crystal will hold 51% and 49% of the effective economic interests in the JV Company respectively. Each of them will hold 50% of the total issued voting Shares in the JV Company. In addition, the Company (via its direct interest in Pacific) will hold a 2% shareholding in the form of non-voting Shares in the JV Company. Accordingly, the interest of Pacific in the JV Company will be accounted for as "interests in jointly-controlled entity" in the consolidated accounts of the Company using the equity accounting method after the completion of the Shareholders' Agreement.

Advance of shareholders loans

At completion of the Shareholders' Agreement, Pacific and Crystal will lend an unsecured, interest free shareholders loan of US$23,664,000 and US$22,736,000 respectively to the JV Company. Repayment of outstanding shareholders loans requires mutual consent of Pacific and Crystal.

Subscription for additional capital

During the period of three years commencing on the date of completion of the Shareholders' Agreement, each of Pacific and Crystal will pay in US$ cash and subscribe for such additional Shares in the JV Company and, or advance to the JV Company such additional shareholders loans, such that the issued share capital of the JV Company shall always consist of (i) 98% of voting Shares, which shall be held by Pacific and Crystal in equal shares and (ii) 2% of non-voting Shares, which shall be held by Pacific, until the total of the fully paid up issued share capital of the JV Company together with the outstanding amount of the shareholders loans reaches the aggregate amount of US$66,400,000. Accordingly, the total commitment of capital contribution and, or shareholders loans of Pacific to be made to the JV

Company pursuant to the Shareholders' Agreement is US$33,864,000 which is equivalent to its expected capital commitment in the Singapore JV referred to below over the three years commencing on the date of completion. With an initial share subscription of US$25,500 and an advance of a shareholders loan of US$23,664,000 to be made to the JV Company, the Company (via its direct interest in Pacific) is required to inject additional capital of US$10,174,500 over the three year period.

The breakdown of the capital commitment of US$33,864,000 pursuant to the Shareholders' Agreement of the Company is as follows:

	Issued share capital (US$)		**Total (US$)**
	Voting	**Non-voting**	
Initial allotment	24,500	1,000	25,500
Subsequent allotments	9,775,500	399,000	10,174,500
Total amount of capital contribution			10,200,000
Shareholders' loans	—	—	23,664,000
Total capital commitment			33,864,000

The Company will finance its investment in the JV Company from its internal resources.

Restrictions on transfer of the Shares

Neither Pacific nor Crystal may dispose of its Shares or any shareholders loans owed by the JV Company to it for a period of five years from the date of completion of the Shareholders' Agreement except where there is an event of default or with the prior written consent of the other party. If, after such five year period, either Pacific or Crystal wishes to sell all (but not some only) of its Shares and shareholders loans owed to it by the JV Company to a third party purchaser, it shall be obliged to first offer such Shares and shareholders loans to the other shareholder at the price and on such other terms as such third party purchaser may have offered to the selling shareholder. In the event that the other shareholder does not wish to purchase the Shares and shareholders loans offered, the selling shareholder may, subject to the tag-along and drag-along rights mentioned below, sell its Shares and shareholders loans to the third party purchaser at a price and on such terms which are no less favourable than those offered to the other shareholder.

The selling shareholder must give a copy of any agreement with the third party purchaser relating to the sale of the Shares and shareholders loans to the other shareholder within three business days after the execution of the agreement. If the selling shareholder does not enter into an agreement for the sale of such Shares and shareholders loans within a prescribed period, or if such sale is not completed within sixty business days after the execution of such agreement, the right of the selling shareholder to sell such Shares and shareholders loans to the third party purchaser shall terminate and if the selling shareholder subsequently wishes to sell the Shares held by it and shareholders loans owed to it by the JV Company, it shall be required to first re-offer to the other shareholder in the manner mentioned above.

Tag-along and drag-along rights

If the other shareholder does not elect to exercise its first right of offer mentioned above to purchase the Shares and shareholders loans from the selling shareholder, it may, by giving written notice to selling shareholder, procure the selling Shareholder to procure the third party purchaser, as a condition of such transaction, to purchase all (but not some only) of the other shareholder's Shares and shareholders loans on no less favourable terms.

If the other shareholder does not elect to exercise its first right of offer mentioned above to purchase the Shares and shareholders loans from the selling shareholder, the selling shareholder may, by giving written notice to the other shareholder, require the other shareholder to sell all (but not some only) of its Shares and shareholders loans owed to it by the JV Company to the third party purchaser on no less favourable terms.

Establishment of the Singapore JV and a new company in Bangladesh to operate a spinning mill

The JV Company, amongst other things,

(a) upon the execution of the Shareholders' Agreement, has entered into the Singapore JV Agreement with Trendit and Fast Retailing, pursuant to which the JV Company shall subscribe for an 83% shareholding interest, Trendit shall subscribe for a 7% shareholding interest and Fast Retailing shall subscribe for a 10% shareholding interest in the Singapore JV, a company established in Singapore which, through its subsidiaries to be established in Bangladesh, will establish and operate fabric and garment production factories in Bangladesh. The total capital of the Singapore JV is expected to be US$80,000,000, of which US$66,400,000 will be contributed by Pacific and Crystal via the JV Company, in the period of three years commencing on the date of completion of the Singapore JV Agreement; and

(b) upon the execution of the Shareholders' Agreement and the Singapore JV Agreement, has procured the Singapore JV to enter into the Bros JV Agreement with Bros, pursuant to which the Singapore JV shall, subject to the fulfilment of certain conditions and to the extent permissible under the laws of Bangladesh, subscribe for a 15% shareholding interest, and Bros shall subscribe for an 85% shareholding interest, in a new company to be established in Bangladesh for the purpose of operating a spinning mill.

Upon completion of the Singapore JV Agreement, the Company will hold an effective 42.33% interest in the Singapore JV via the JV Company. The first phase of the production facilities to be set up in Bangladesh by the Singapore JV, including a fabric production factory, a power plant, water treatment facilities, a garment production factory and information technology systems, is expected to commence operation in 2010. In addition, the Singapore JV will subscribe for the 15% shareholding in the new spinning mill company in Bangladesh for a consideration of US$4.8 million, the precise timing of which subscription shall be determined by the board of directors of the new spinning mill company and unanimously approved by the Singapore JV and Bros from time to time.

Conditions precedent

Completion of the Shareholders' Agreement is conditional upon the following conditions being satisfied or waived on or before 30 June 2009:

(a) the shareholders of the Company approving the Shareholders' Agreement and the consummation of the transactions contemplated therein as required under the Listing Rules (if required);

(b) the obtaining in terms reasonably acceptable to Pacific and Crystal of all consents, approvals, clearances and authorisations of any relevant governmental or other authorities or other relevant third parties in Hong Kong or elsewhere as may be necessary for the execution and implementation of the Shareholders' Agreement including, without limitation, the registration of the Bros JV Agreement with the Board of Investment of Bangladesh;

(c) Crystal demonstrating to the reasonable satisfaction of Pacific that the Singapore JV has been properly incorporated and established;

(d) the articles of association of the JV Company (as amended from time to time) being amended in draft form to conform with the terms of the Shareholders' Agreement to the reasonable satisfaction of Pacific and Crystal; and

(e) the incorporation and establishment of a subsidiary of the Singapore JV in Bangladesh to the reasonable satisfaction of Pacific and Crystal for the purposes of establishing and operating fabric and garment production factories in Bangladesh.

As at the Latest Practicable Date, the Shareholders' Agreement, the Singapore JV Agreement and the Bros JV Agreement have been entered into amongst the relevant parties.

STRUCTURE OF THE JV COMPANY

Board of Directors of the JV Company

The board of directors of the JV Company shall comprise two to six directors. The respective number of directors that each of Pacific and Crystal is entitled to appoint to the board of directors of the JV Company, at all times, should be equal.

The right to appoint the Chairman of the board of directors of the JV Company shall rotate on an annual basis between Pacific and Crystal. The Chairman of the board of directors of the JV Company has no casting vote.

Voting rights of Pacific and Crystal

According to the Shareholders' Agreement, every holder of voting Shares shall have one vote for each voting Share it holds at any general meeting of the JV Company. The non-voting Shares shall not entitle the holders to receive notice of or to attend or vote at any general meeting of the Company.

Except for carrying no voting rights and no right to participate beyond a specified amount not relevant to this Transaction in a distribution of either profits or capital of the JV Company, the non-voting Shares shall rank pari passu in all respects with the voting Shares.

Pacific and Crystal agreed that the following matters shall, amongst other things, require the unanimous consent of all the shareholders of the JV Company (i.e. Pacific and Crystal):

(a) materially changing the nature of the business conducted by the JV Company;

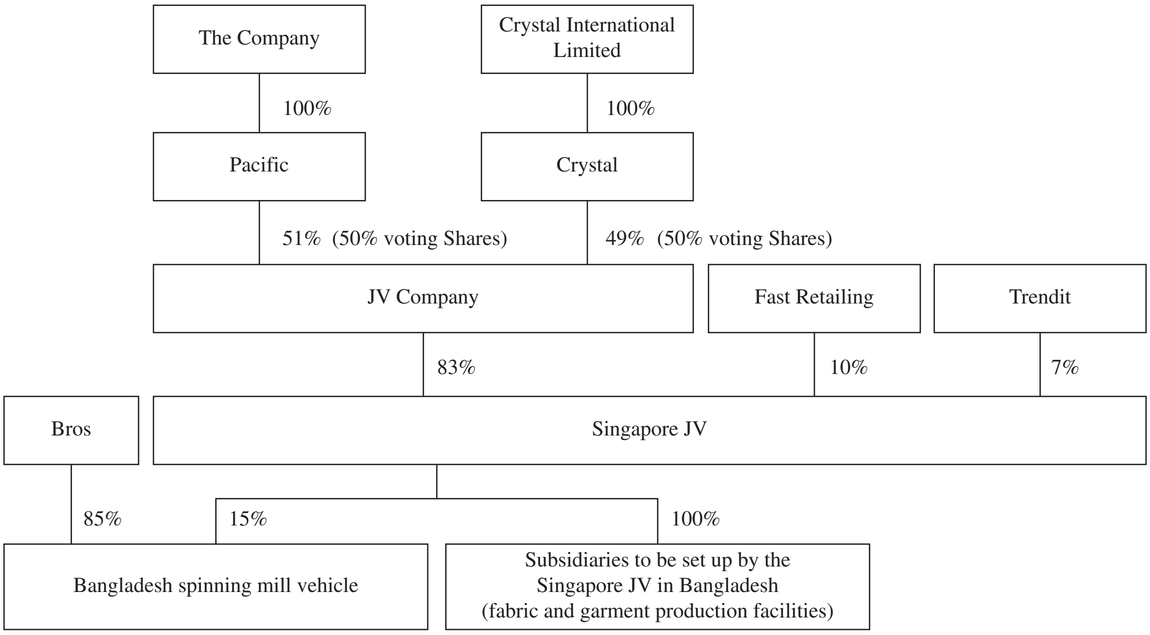
(b) amending the memorandum of association or articles of association or constitutional documents of the JV Company and, or entities controlled by it;

(c) disposing of substantially all of the business, assets and undertaking of the JV Company and, or entities controlled by it;

(d) changing the financial year or auditors of the JV Company; and

(e) formulating the strategic, financial and operating policies of the JV Company.

Diagramatic presentation of the formation of the JV Company pursuant to the Shareholders' Agreement and other transactions contemplated thereunder



REASONS FOR ENTERING INTO THE TRANSACTION

Bangladesh is the world's third largest readymade garment exporter. For the first half of 2008, Bangladesh exported a total of US$10.7 billion worth of readymade garment, representing approximately 76% of the country's total export value in the period. Bangladesh enjoys access to European markets and Japan with no tariffs and quota barriers. Furthermore, Bangladesh's cost effective production capacity and low raw material costs provide its textiles industry with a strong competitive advantage.

The Directors believe that the Transaction is a major step in the Company's growth strategy. The formation of the JV Company and the Singapore JV does not only improve the Company's competitive position through geographic diversification, it also provides a platform for the Group's further expansion into the Japanese market. The Company believes the strategic partnership with well-established participants in the industry such as Crystal Group and Fast Retailing will allow the Group to capture new opportunities and to explore new markets.

To ensure the supply of quality yarns, the Singapore JV will separately co-invest with Bros, a top-dyed mélange yarn producer in China, in the spinning mill company which will own a yarn manufacturing facility in Bangladesh.

The shareholding structure in the JV Company was negotiated between Pacific and Crystal on an arm's length basis. This reflects the expected contribution of Pacific's expertise to the JV Company and the Singapore JV in the establishment of fabric and garment production facilities in Bangladesh.

The terms of the Shareholders' Agreement are arrived at after arm's length negotiations which are on normal commercial terms. The Directors, including the independent non-executive Directors, consider that the Transaction is in the ordinary course of business and on normal commercial terms and the terms of the Shareholders' Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

Set out in Appendix II to this circular is the unaudited pro forma financial information of the Group which illustrates the financial impact of the Transaction on the assets and liabilities of the Group. Save for the incidental costs of the Transaction, the effect of the Transaction will be neutral on the net assets of the Group initially and as and when the Company continues to contribute to the capital commitment totalling US$33,864,000 to the JV Company over the three-year period from the date of completion of the Shareholders' Agreement.

Upon the formation of the JV Company, the interest of Pacific in the JV Company will be accounted for as "interests in jointly-controlled entity" in the consolidated accounts of the Company using equity accounting method. The Directors consider the Transaction will enlarge the earnings base of the Group in the long-term but the magnitude of such impact will depend on the future performance of the JV Company.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Directors expect the financial crisis and the slowdown of the global economy to continue, resulting in an uncertain and volatile operating environment in the short run. The Directors also expect the weak demand and the credit crunch to continue for some time, exerting pressure on the industry and triggering further consolidation.

However, the Directors are of the view that the continued consolidation of the industry will help ease the problem of over-supply in the market, making more rooms for stronger companies to increase their market share.

The Directors expect the combination of a well-planned and environmentally-conscious infrastructure, an efficient production base and advanced technology will ensure that the Group can adapt rapidly to changing operating conditions and to meet challenges in the market. The Group's established clientele and niche product offerings at the high-end, together with its value-added and complex fabric production capacity, will allow the Group to remain competitive in the fabric manufacturing sector. The Directors believe the Company's healthy financial position leaves the Company well-placed to explore expansion opportunities, and yet resilient in the current economic downturn.

The Directors believe further improvement in environmental control in China will benefit the Group's development in the long run. China is a key manufacturing base of the Group as well as a market with immense potential. In view of that, the Group will continue to expand its sales operation in China and devote more resources to its market development. While the existing site and supporting facilities in Panyu can accommodate increased demand over the next two to three years, the Company will actively explore potential production sites both outside and within China for long-term development.

The Directors also believe the new production facilities to be established by the Company and the other partners in Bangladesh will provide synergistic benefits to the Group's existing business and lay a concrete foundation for long-term development.

IMPLICATIONS OF THE TRANSACTION UNDER THE LISTING RULES

As one of the relevant percentage ratios is more than 25% but less than 75%, the Transaction constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. No shareholders of the Company and, or their respective associates have any material interest in the Transaction and therefore no person is required to abstain from voting on the relevant resolutions in the EGM.

INFORMATION ON THE GROUP

The Group is a leading manufacturer of customised knitted fabrics, with a focus on complex and value-added fabrics that are used in a broad range of garments. It also offers warp and weft knitting along with printing services. In 2007, the Group diversified into non-apparel products to manufacture automotive fabrics. At present, the Group's production plants are located in Panyu, China and Sri Lanka.

INFORMATION ON CRYSTAL GROUP

Crystal Group is a garment trading and manufacturing company with an annual production capacity of 200 million pieces of garment. It provides original equipment manufacturing and original design manufacturing services for world-renowned fashion brands including M&S, GAP and UNIQLO, etc. Crystal Group (not including Crystal) is a customer of the Group.

Crystal is a wholly-owned subsidiary of Crystal International Limited.

INFORMATION ON KING JUMBO

King Jumbo, the JV Company, is a nominee company incorporated on 10 October 2007 and acquired by Crystal on 5th November, 2008 for the purpose of the transactions contemplated under the Shareholders' Agreement, the Singapore JV Agreement and the Bros JV Agreement. It has been a dormant company since its incorporation. Accordingly, as at the date of this circular, King Jumbo had a paid up capital of US$100 and its only assets are the corresponding investment of US$100 as the paid up capital of the Singapore JV which was incorporated on 25 November 2008 for the purpose of the transactions contemplated under the Shareholders' Agreement, the Singapore JV Agreement and the Bros JV Agreement.

Upon completion of the Shareholders' Agreement, King Jumbo, a jointly-controlled entity of the Company, will be principally engaged in holding, managing, administering its interests in the Singapore JV and providing the necessary capital and overall management supervision services to the Singapore JV and, or its subsidiaries to facilitate the establishment of its fabric and garment production facilities in Bangladesh.

INFORMATION ON FAST RETAILING

Fast Retailing is a company listed on the Tokyo Stock Exchange in July 1997 and a group of apparel-related companies which includes Japan's biggest casual clothing chain UNIQLO. Fast Retailing is a customer of Crystal Group.

INFORMATION ON BROS

Bros is a producer of top-tyed mélange yarn operating spinning plants and cotton processing plants throughout the PRC. Its cotton-dyeing factories in Ningbo use environment-safe, pollution-free reactive dyes on its yarns. Bros is the major supplier of yarns of the Group.

Save as disclosed herein, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Crystal, Fast Retailing, Trendit and Bros and each of their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

EGM

Notice of EGM is set out on pages 93 to 94 of this circular. A form of proxy for used by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the head office and principal place of business of the Company in Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

RECOMMENDATION

The Directors consider that the terms of the Shareholders' Agreement are fair and reasonable and the Transaction is in the interests of the Company and the shareholders of the Company as a whole. Accordingly, the Directors recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the Shareholders' Agreement and the transactions contemplated thereunder.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular, including the financial information on the Group and the pro forma financial information.

Yours faithfully
By order of the Board
Pacific Textiles Holdings Limited
Wan Wai Loi
Chairman

A. INDEBTEDNESS STATEMENT

Indebtedness

The borrowings are predominantly denominated in Hong Kong dollars. As at 31 October 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding bank and other borrowings:

	As at 31 October 2008 *HK$'000*
Bank overdrafts — secured	30,392
Bank loans — secured	66,385
Bank loans — unsecured	311,740
Loan from a minority shareholder	59,228
Finance lease obligations	1,382
	469,127

Pledge of assets

At the close of business on 31 October 2008, certain of the Group's assets have been pledged to secure the borrowings of the Group. The aggregate carrying amount of the pledged assets of the Group as at 31 October 2008 is as follows:

	As at 31 October 2008 *HK$'000*
Property, plant and equipment	93,733
Inventories	78,000
	171,733

Contingent liabilities

As at 31 October 2008, no contingent liabilities were noted by the Directors of the Company.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any material debt securities issued and outstanding, or authorized/otherwise created but un-issued, any other material term loans (secured, unsecured, guaranteed or not), any other material borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured/unsecured, guaranteed or not), any other material mortgage and charges, or any other material contingent liabilities as at the close of business on 31 October 2008.

The Directors have confirmed that there has not been any material change in the indebtedness of the Group since 31 October 2008.

B. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, and the expected completion of the Transaction, in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements in next twelve months from the date of this circular.

C. SUMMARY OF FINANCIAL INFORMATION

The following is the summary of the consolidated financial information of the Group for the three years ended 31 March 2006, 2007 and 2008 and the six months ended 30 September 2008.

CONSOLIDATED RESULTS

	Year ended 31 March			Six months ended 30 September
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Revenue	3,363,029	4,203,357	4,280,646	2,551,607
Gross Profit	802,256	922,091	696,887	338,473
Profit for the year attributable to:				
Equity holders of the Company	458,855	555,698	392,093	181,799
Minority interests	10,495	7,948	4,721	(989)
	469,350	563,646	396,814	180,810

CONSOLIDATED BALANCE SHEETS

	As at 31 March			As at 30 September
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Non-current assets	956,292	1,237,790	1,571,284	1,580,486
Current assets	1,398,436	1,803,121	2,831,677	2,737,830
Total assets	2,354,728	3,040,911	4,402,961	4,318,316
Current liabilities	797,514	1,132,831	1,122,394	1,077,682
Total assets less current liabilities	1,557,214	1,908,080	3,280,567	3,240,634
Non-current liabilities	469,918	416,587	394,558	240,085
Total equity	1,087,296	1,491,493	2,886,009	3,000,549
Net current assets	600,922	670,290	1,709,283	1,660,148
Capital and reserves attributable to:				
Equity holders of the Company	1,044,496	1,440,745	2,839,765	2,955,294
Minority interests	42,800	50,748	46,244	45,255
	1,087,296	1,491,493	2,886,009	3,000,549

D. AUDITED CONSOLIDATED FINANCIAL INFORMATION

The following are the consolidated financial statements of the Group for the year ended 31 March 2008 together with notes thereto as extracted from the 2008 annual report of the Company:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	6	4,280,646	4,203,357
Cost of sales		(3,583,759)	(3,281,266)
Gross profit		696,887	922,091
Other revenue	23	57,781	52,438
Other gains – net	23	50,712	11,917
Distribution and selling expenses		(181,020)	(130,507)
General and administrative expenses		(170,901)	(169,459)
Operating profit	24	453,459	686,480
Finance income	26	44,351	4,548
Finance costs	26	(33,283)	(42,169)
Share of profit/(loss) of associates	10	886	(1,997)
Profit before income tax		465,413	646,862
Income tax expense	27	(68,599)	(83,216)
Profit for the year		396,814	563,646
Attributable to:			
Equity holders of the Company	34	392,093	555,698
Minority interests		4,721	7,948
		396,814	563,646
Earnings per share for profit attributable to the equity holders of the Company during the year – basic and diluted (HK$)	28	0.28	0.52
Dividends	29	980,610	234,000

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	7	28,336	22,050
Property, plant and equipment	8	1,522,587	1,197,086
Interest in associates	10	15,086	13,070
Deferred taxation	19	3,467	3,760
Available-for-sale financial assets	11	1,808	1,824
		1,571,284	1,237,790
Current assets			
Inventories	12	993,285	953,335
Trade and bills receivables	13	608,708	579,621
Deposits, prepayments and other receivables	14	35,390	35,391
Derivative financial instruments	22	18,813	8,618
Cash and bank balances	15	1,175,481	226,156
		2,831,677	1,803,121
Total assets		4,402,961	3,040,911
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	1,433	11
Reserves	17	2,838,332	1,440,734
		2,839,765	1,440,745
Minority interests		46,244	50,748
Total equity		2,886,009	1,491,493

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*18*	393,687	415,773
Finance lease obligations	*18*	871	814
		394,558	416,587
Current liabilities			
Trade and bills payables	*20*	611,021	464,574
Accruals and other payables	*21*	221,792	140,806
Borrowings	*18*	275,022	513,628
Finance lease obligations	*18*	1,462	3,090
Derivative financial instruments	*22*	1,327	234
Current income tax liabilities		11,770	10,499
		1,122,394	1,132,831
Total liabilities		1,516,952	1,549,418
Total equity and liabilities		4,402,961	3,040,911
Net current assets		1,709,283	670,290
Total assets less current liabilities		3,280,567	1,908,080

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

BALANCE SHEET
As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	8	—
Current assets			
Amounts due from subsidiaries	33	1,121,826	234,400
Deposits, prepayments and other receivables	14	850	914
Cash and bank balances	15	834,253	41
		1,956,929	235,355
Total assets		1,956,937	235,355
EQUITY			
Share capital	16	1,433	11
Reserves	17	1,882,242	189,147
		1,883,675	189,158
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	33	69,435	46,069
Accruals and other payables	21	3,827	128
Total liabilities		73,262	46,197
Total equity and liabilities		1,956,937	235,355
Net current assets		1,883,667	189,158
Total assets less current liabilities		1,883,675	189,158

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

		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 1 April 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 paid	*29*	—	(234,000)	(234,000)	—	(234,000)
Balance at 31 March 2007		11	1,440,734	1,440,745	50,748	1,491,493
Profit for the year		—	392,093	392,093	4,721	396,814
Issuance of share capital by global offering	*16*	358	1,916,194	1,916,552	—	1,916,552
Global offering expenses	*17*	—	(120,597)	(120,597)	—	(120,597)
Shares issued by capitalisation from share premium account	*16*	1,064	(1,064)	—	—	—
Acquisition of additional interest in a subsidiary from a minority shareholder	*17*	—	(3,559)	(3,559)	(9,225)	(12,784)
Currency translation differences		—	81,138	81,138	—	81,138
Share-based compensation expenses	*16*	—	6,533	6,533	—	6,533
Dividends paid	*29*	—	(873,140)	(873,140)	—	(873,140)
Balance at 31 March 2008		1,433	2,838,332	2,839,765	46,244	2,886,009

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flow from operating activities			
Cash generated from operations	30(a)	787,206	665,623
Interest paid		(33,283)	(42,169)
Hong Kong profits tax paid		(41,134)	(81,296)
Overseas tax paid		(25,901)	(27,410)
Net cash generated from operating activities		686,888	514,748
Cash flow from investing activities			
Purchase of property, plant and equipment		(425,436)	(428,157)
Prepayment of leasehold land and land use rights		(5,265)	—
Proceeds from disposal of property, plant and equipment	30(b)	14,123	3,077
Additions of available-for-sale financial assets	11	—	(276)
Disposals of available-for-sale financial assets	11	—	280
Acquisition of additional interest in a subsidiary from a minority shareholder	30(c)	(12,784)	—
Investment in associates	10	—	(4,524)
Interest income received		44,351	4,548
Dividend income		9	8
Net cash used in investing activities		(385,002)	(425,044)
Net cash inflow before financing activities		301,886	89,704
Cash flow from financing activities			
Proceeds from issuance of shares (net of share issue expenses)		1,795,955	—
Advance from a minority shareholder		28,786	18,947
New borrowings		945,234	547,548
Repayment of borrowings		(1,223,713)	(356,938)
Repayment of capital element of finance lease obligations		(3,611)	(877)
Dividends paid		(873,140)	(234,000)
Net cash generated from/(used in) financing activities		669,511	(25,320)

	Note	2008 HK$'000	2007 HK$'000
Net increase in cash and cash equivalents		971,397	64,384
Cash and cash equivalents at 1 April		186,445	93,611
Foreign exchange adjustment		(11,073)	28,450
Cash and cash equivalents at 31 March		1,146,769	186,445
Analysis of cash and cash equivalents			
Cash and bank balances	*15(a)*	1,175,481	226,156
Bank overdrafts	*18(a)*	(28,712)	(39,711)
		1,146,769	186,445

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

NOTES TO THE 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 (the "Stock Exchange") on 18 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 11 July 2008.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated 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 Group'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.

(a) **Standard, amendment and interpretation to existing standards that have become effective in 2007/08 and are relevant to the Group's operations**

The following standard, amendment and interpretation to existing standards are mandatory for accounting periods beginning on or after 1 April 2007 and are relevant to the Group's operations:

- HKFRS 7 "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1 "Presentation of Financial Statements — Capital Disclosures" introduces new disclosures relating to financial instruments and do not have any significant impact on the classification and valuation of the Group's financial instruments; and

- HK(IFRIC)-Int 11 "HKFRS 2 — Group and Treasury Share Transactions" provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

(b) **Interpretations to existing standards that have become effective in 2007/08 but not relevant to the Group's operations**

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2007 but are not relevant to the Group's operations:

- HK(IFRIC)-Int 7 — "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies";

- HK(IFRIC)-Int 8 "Scope of HKFRS 2";

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives"; and

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment".

(c) **Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group**

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised) "Presentation of Financial Statements" (effective for accounting periods beginning on or after 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009;

- HKAS 23 (Amendment) "Borrowing Costs" (effective for accounting periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amendment) from 1 April 2009;

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective for accounting periods beginning on or after 1 July 2009). HKAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010;

- HKFRS 2 (Amendment) "Share-based Payment Vesting Conditions and Cancellations" (effective for accounting periods beginning on or after 1 January 2009). HKFRS 2 (Amendment) clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 (Amendment) from 1 April 2009;

- HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). HKFRS 3 (Revised) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010; and

- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1 January 2009). HKFRS 8 supersedes HKAS 14 "Segment Reporting". The new standard uses a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009.

The Group has commenced, but not yet completed, an assessment of the impact of the standards and amendments to existing standards on its results of operations and financial position. The directors are of the view that the impact on the consolidated financial statements will not be significant.

(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 and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)-Int 12 "Service Concession Arrangements" (effective for accounting periods beginning on or after 1 January 2008);

- HK(IFRIC)-Int 13 "Customer loyalty programmes" (effective for accounting periods beginning on or after 1 July 2008); and

- HK(IFRIC)-Int 14 "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective for accounting periods beginning on or after 1 January 2008).

3 PRINCIPAL ACCOUNTING POLICIES

3.1 Consolidated financial statements

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 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 of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

3.2 Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

3.3 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 (net of any accumulated impairment loss) 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 associates. 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.

3.4 **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.

3.5 **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 such 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.

(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 partially disposed of or 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.

3.6 **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 the land use rights, or when there is impairment, the impairment is expensed in the income statement.

3.7 **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 their costs 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.

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.

3.8 **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 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). Non-financial 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.

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.

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 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 original 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.

3.14 **Share capital**

Shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, 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 **Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax 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, the deferred income tax 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 income tax 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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.

(iii) ***Share-based compensation***

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) ***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 probable 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, returns, 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 incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the assets for its intended use. Other borrowing costs are expensed.

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 assets 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 current and non-current borrowings. 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 recognized 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: market risk (including commodities price risk, foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Because of the simplicity of the financial structure and current operations of the Group, no major hedging activities other than the use of external forward currency contracts are undertaken by management.

(a) ***Market risk***

(i) *Commodities price risk*

Majority of the raw materials 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 commodities price risk.

At 31 March 2008, if the market price of the yarn had increased/decreased by 1% with all other variables held constant, post-tax profit for the year would have been approximately HK$18,962,000 (2007: HK$19,677,000) lower/higher as a result of the change in market price of yarn.

At 31 March 2008, if the market price of the dye and other chemical had increased/decreased by 1% with all other variables held constant, post-tax profit for the year would have been approximately HK$3,143,000 (2007: HK$2,638,000) lower/higher as a result of the change in market price of dye and other chemical.

(ii) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Chinese Renminbi ("RMB") and United States dollar ("US$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's transactions in the PRC are settled in RMB, therefore the foreign exchange risk is considered to be insignificant. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

As the Hong Kong dollar is pegged against the US dollar, the related foreign exchange risk is considered to be insignificant.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure.

(iii) *Cash flow and fair value interest rate risk*

Except for the cash at bank and short-term bank deposits and borrowings, details of which have been disclosed in Notes 15 and 18 respectively, the Group has no other significant interest-bearing assets or liabilities.

Bank deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate risk by performing regular review and monitoring its interest rate exposures. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 March 2008, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's net profit would have been approximately HK$4,359,000 (2007: HK$543,000) higher/lower, mainly as a result of higher/lower interest income from bank deposits.

At 31 March 2008, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's net profit would have been approximately HK$3,995,000 (2007: HK$4,117,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) ***Credit risk***

Credit risk arises from cash at bank and short-term bank deposits with banks and financial institutions and credit exposures to customers, including outstanding receivables.

At 31 March 2008 and 2007, substantially all the bank balances and short-term bank deposits as detailed in Note 15 are held in major financial institutions located in Hong Kong, Mainland China, Sri Lanka and Macau; all derivative financial instruments are also entered into with these financial institutions, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any losses arising from non-performance by these financial institutions.

The Group has no significant concentrations of credit risk with customers. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The credit quality of the customers is assessed based on its financial position, past experience and other factors. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

(c) ***Liquidity risk***

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, 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 regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

(i) *Group*

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	275,022	260,992	132,695	668,709
Finance lease obligations	1,462	756	115	2,333
Trade and bills payables	611,021	—	—	611,021
Accruals and other payables	221,792	—	—	221,792
Derivative financial instruments	1,327	—	—	1,327
At 31 March 2008	1,110,624	261,748	132,810	1,505,182
Borrowings	513,628	382,242	33,531	929,401
Finance lease obligations	3,090	736	78	3,904
Trade and bills payables	464,574	—	—	464,574
Accruals and other payables	140,806	—	—	140,806
Derivative financial instruments	234	—	—	234
At 31 March 2007	1,122,332	382,978	33,609	1,538,919

(ii) *Company*

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	69,435	—	—	69,435
Accruals and other payables	3,827	—	—	3,827
At 31 March 2008	73,262	—	—	73,262
Amounts due to subsidiaries	46,069	—	—	46,069
Accruals and other payables	128	—	—	128
At 31 March 2007	46,197	—	—	46,197

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

4.3 **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings and finance lease obligations as shown in the consolidated balance sheet) divided by total assets. The gearing ratios at 31 March 2008 and 2007 were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Total borrowings	671,042	933,305
Total assets	4,402,961	3,040,911
Gearing ratio	15%	31%

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 fair values less cost to sell. 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) **Provision for impairment of 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.

(e) **Income taxes**

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

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:

	2008	2007
	HK$'000	*HK$'000*
China	1,050,030	1,030,283
South East Asia	1,065,600	797,346
Hong Kong	791,989	895,418
Sri Lanka	710,267	712,543
Others	662,760	767,767
	4,280,646	4,203,357

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

	2008	2007
	HK$'000	*HK$'000*
China	2,140,217	1,866,278
Hong Kong	1,694,462	770,772
Sri Lanka	401,599	286,718
Others	166,683	117,143
	4,402,961	3,040,911

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

	2008	2007
	HK$'000	*HK$'000*
China	352,355	399,773
Hong Kong	1,946	8,808
Sri Lanka	102,606	23,524
Others	41	249
	456,948	432,354

7 LEASEHOLD LAND AND LAND USE RIGHTS

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

	2008	2007
	HK$'000	*HK$'000*
At 1 April	22,050	21,775
Additions	5,265	—
Amortisation	(564)	(535)
Currency translation differences	1,585	810
At 31 March	28,336	22,050

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of between 10 to 50 years	3,791	3,888
In China held on:		
Land use rights of between 10 to 50 years	17,497	16,334
In Sri Lanka held on:		
Leases of between 10 to 50 years	7,048	1,828
	28,336	22,050

Amortisation of prepaid operating lease payments for the years ended 31 March 2007 and 2008 has been included in general and administrative expenses in the income statements.

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles and vessel	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 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 31 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 31 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
Year ended 31 March 2008							
Opening net book amount	333,045	271,039	2,721	531,249	50,403	8,629	1,197,086
Currency translation differences	40,290	13,181	—	51,617	3,400	233	108,721
Additions	5,823	208,644	—	224,677	13,050	4,754	456,948
Disposals	(3,171)	—	—	(441)	(31)	(884)	(4,527)
Depreciation	(20,214)	—	(1,733)	(192,106)	(18,645)	(2,943)	(235,641)
Transfers	185,021	(306,486)	—	114,613	6,307	545	—
Closing net book amount	540,794	186,378	988	729,609	54,484	10,334	1,522,587
At 31 March 2008							
Cost	611,232	186,378	7,864	1,715,240	158,030	23,277	2,702,021
Accumulated depreciation	(70,438)	—	(6,876)	(985,631)	(103,546)	(12,943)	(1,179,434)
Net book amount	540,794	186,378	988	729,609	54,484	10,334	1,522,587

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

	2008	2007
	HK$'000	*HK$'000*
Cost of sales	228,046	189,605
General and administrative expenses	7,595	8,151
	235,641	197,756

The carrying amount of property, plant and equipment pledged to secure bank facilities of the Group amounted to approximately HK$94,881,000 (2007: HK$96,849,000).

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

	2008	2007
	HK$'000	*HK$'000*
Cost — capitalised finance lease	4,922	4,990
Less: accumulated depreciation	(1,472)	(591)
Net book value	3,450	4,399
Depreciation for the year	886	481

9 INVESTMENTS IN SUBSIDIARIES

	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	8	—

As at 31 March 2008 and 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		Principal activities
			2008	2007	
Shares held directly:					
Pacific Textured Jersey Holdings Ltd. *(Note (ii))*	British Virgin Islands	HK$1	100%	100%	Investment holding
Pacific Textiles Overseas Holdings Ltd.	British Virgin Islands	HK$1	100%	100%	Investment holding
Pacific HK & China Holdings Ltd.	British Virgin Islands	HK$1	100%	100%	Investment holding
Pacific SPM Holdings Ltd.	British Virgin Islands	HK$1	100%	100%	Investment holding
Solid Ally International Ltd.	British Virgin Islands	HK$1	100%	100%	Investment holding
Lehan Resources Ltd.	British Virgin Islands	HK$1	100%	100%	Investment holding
Fast Right Group Ltd.	British Virgin Islands	US$1,000	100%	—	Investment holding
Shares held indirectly:					
Pacific Textiles Limited	Hong Kong	HK$103,000,000	100%	100%	Textiles trading
Pacific SPM Investment Limited	Hong Kong	HK$1	100%	—	Investment holding
Pacific (Nansha) Investments Limited	Hong Kong	HK$22,000,000	100%	—	Investment holding
Pacific Overseas Textiles Macao Commercial Offshore Limited	Macau	MOP1,030,000	100%	100%	Textiles trading
Textured Jersey Lanka (Private) Limited *(Note (ii))*	Sri Lanka	Rs1,597,229,000	60%	52%	Textiles manufacturing and trading

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group 2008	2007	Principal activities
Pacific (Panyu) Textiles Limited *(Note (i))*	Mainland China	Registered/ paid up capital US$55,700,000	100%	100%	Manufacture and sale of textile products
Pacific/Textured Jersey Ltd.	United Kingdom	GBP100	100%	100%	Fabrics agency

Note:

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

(ii) On 25 January 2008, Pacific Textured Jersey Holdings Ltd., a wholly owned subsidiary of the Company, acquired an additional 8% equity interest in Textured Jersey Lanka (Private) Limited at a cash consideration of approximately HK$12,784,000. Consequently, the Group's equity interest in Textured Jersey Lanka (Private) Limited was increased from 52% to 60%.

10 INTEREST IN ASSOCIATES

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

	2008 *HK$'000*	**2007** *HK$'000*
At 1 April	13,070	10,024
Capital injection *(Note)*	—	4,524
Currency translation differences	1,130	519
Share of results — profit/(loss) for the year	886	(1,997)
At 31 March	15,086	13,070

Note: On 25 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.

On 8 June 2006, the Group injected further capital of HK$2,574,000 in SPM Automotive Textile Co., Ltd..

The particulars of the associates as at 31 March 2008 and 2007 are set out as follows:

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
			2008	2007	
SPM Automotive Textile Co., Ltd. (i)	Mainland China	Registered/ paid up capital US$5,000,000	33%	33%	Manufacturing and trading of vehicles related textile products
Fillattice-Pacific Ltd.	Hong Kong	HK$3,900,000	50%	50%	Trading of textile products

Note:

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

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

	2008	2007
	HK$'000	*HK$'000*
Total assets	22,750	16,050
Total liabilities	7,665	2,980
Revenue	23,238	2,827
Profit/(loss) for the year	886	(1,997)

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008	2007
	HK$'000	*HK$'000*
At 1 April	1,824	1,830
Additions	—	276
Disposals	—	(282)
Impairment loss charged to the income statement	(16)	—
At 31 March	1,808	1,824
Listed equity securities in Hong Kong, at fair value	67	83
Club debentures, at fair value	1,741	1,741
	1,808	1,824
Maximum exposure to credit risk	1,808	1,824

The fair values of listed equity securities and club debentures are based on quoted/available market prices.

Available-for-sale financial assets are denominated in Hong Kong dollar.

12 INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	695,366	675,153
Work-in-progress	119,565	102,338
Finished goods	132,923	140,653
Consumables	45,431	35,191
	993,285	953,335

The cost of inventories recognised as expense and included in cost of sales during the year amounted to HK$3,100,806,000 (2007: HK$2,852,552,000).

There were no inventories carried at net realisable value as at 31 March 2007 and 2008.

Inventories pledged as security for the banking facilities available to the Group amounted to approximately HK$78,000,000 (2007: HK$78,000,000).

13 TRADE AND BILLS RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	481,130	461,611
Bills receivables	137,565	133,010
	618,695	594,621
Less: provision for impairment of trade receivables	(9,987)	(15,000)
	608,708	579,621

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 was as follows:

	2008	2007
	HK$'000	*HK$'000*
0 — 60 days	472,098	449,994
61 — 120 days	122,646	121,118
Over 120 days	23,951	23,509
	618,695	594,621

The Group has no significant concentration of credit risk with respect to trade and bills receivables. Trade receivables within credit terms are normally not considered impaired. The Group's credit risk control policy is disclosed in Note 4.

As at 31 March 2008, trade receivables of HK$9,987,000 (2007: HK$15,000,000) were impaired. The amount of the provision was HK$9,987,000 as at 31 March 2008 (2007: HK$15,000,000). The ageing analysis of these trade receivables was as follows:

	2008	2007
	HK$'000	*HK$'000*
Past due by:		
0 — 60 days	3,759	524
61 — 120 days	843	5,038
Over 120 days	5,385	9,438
	9,987	15,000

Movements on the provision for impairment of trade receivables are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 April	15,000	33,730
Reversal of provision	(5,013)	(18,730)
At 31 March	9,987	15,000

The creation and release of provision for impaired receivables have been included in distribution and selling expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As at 31 March 2008, trade receivables of HK$107,415,000 (2007: HK$158,159,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables was as follows:

	2008	2007
	HK$'000	*HK$'000*
Past due by:		
0 — 60 days	91,494	142,563
61 — 120 days	11,659	14,292
Over 120 days	4,262	1,304
	107,415	158,159

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

Trade and bills receivables were denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	302,933	295,184
RMB	16,707	2,768
US$	297,827	296,539
Others	1,228	130
	618,695	594,621

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Group

	2008	2007
	HK$'000	*HK$'000*
Rental, utility and other deposits	464	416
Prepayments	15,628	15,388
Tax recoverable	18,406	15,928
Insurance claims recoverable	—	1,194
Other receivables	892	2,465
	35,390	35,391

Deposits, prepayments and other receivables were denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	2,649	6,848
RMB	13,995	12,079
US$	12,153	13,420
Others	6,593	3,044
	35,390	35,391

(b) Company

	2008	2007
	HK$'000	*HK$'000*
Other receivables	850	914

Other receivables were denominated in Hong Kong dollar.

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

The maximum exposure to credit risk at the reporting date is the fair value of the receivable balances mentioned above. The Group does not hold any collateral as security.

15 CASH AND BANK BALANCES

(a) **Group**

	2008	**2007**
	HK$'000	*HK$'000*
Cash at bank and in hand	303,684	117,458
Short-term bank deposits	871,797	108,698
	1,175,481	226,156
Maximum exposure to credit risk	1,173,895	225,801

The effective interest rate on short-term bank deposits was 4.2% (2007: 3.9%) for the year; these deposits have maturities between 1 to 90 days (2007: 1 to 12 days) at inception.

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

Cash and bank balances were denominated in the following currencies:

	2008	**2007**
	HK$'000	*HK$'000*
HK$	681,937	79,039
RMB	56,840	41,914
US$	409,584	101,496
Japanese Yen	24,638	—
Others	2,482	3,707
	1,175,481	226,156

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**

	2008	**2007**
	HK$'000	*HK$'000*
Cash at bank	25,584	41
Short-term bank deposits	808,669	—
	834,253	41
Maximum exposure to credit risk	834,253	41

The effective interest rate on short-term bank deposits was 4.1% (2007: Nil) for the year; these deposits have maturities between 1 to 90 days (2007: Nil) at inception.

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

Cash and bank balances were denominated in the following currencies:

	2008	**2007**
	HK$'000	*HK$'000*
HK$	566,523	5
US$	243,094	36
Japanese Yen	24,636	—
	834,253	41

16 SHARE CAPITAL

(a) Share capital

	Number of shares	Nominal value of shares *HK$'000*
Authorised:		
Shares of HK$0.001 each at 1 April 2006 and 2007	50,000,000	50
Increase in authorised share capital of HK$0.001 each *(Note (i))*	4,950,000,000	4,950
At 31 March 2008	5,000,000,000	5,000
Issued and fully paid:		
Shares of HK$0.001 each at 1 April 2006 and 2007	10,747,020	11
Shares issued to the then equity shareholders of the Company credited as fully paid of HK$0.001 each *(Note (iii))*	1,063,954,980	1,064
Share issued by global offering as fully paid of HK$0.001 each *(Note (iv))*	358,234,000	358
At 31 March 2008	1,432,936,000	1,433

Note:

(i) On 27 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.

(ii) Pursuant to the written resolution of shareholders of the Company passed on 27 April 2007, the Company adopted a share option scheme (the "Share Option Scheme") subject to the terms and conditions therein. 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. On 18 July 2007, the Company granted options to 88 eligible full-time employees to subscribe for a total of 22,820,000 shares of the Company at an exercise price of HK$5.04 per share.

(iii) On 17 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.

(iv) On 18 May 2007, the Company completed a global offering of 358,234,000 shares of HK$0.001 each at a price of HK$5.35 per share.

(b) **Share option scheme**

The Share Option Scheme was approved and adopted by the shareholders of the Company on 27 April 2007. On 9 July 2007, the Board of Directors approved to grant options to 88 eligible full-time employees on 18 July 2007 to subscribe for a total of 22,820,000 shares of the Company at an exercise price of HK$5.04 per share with vesting periods of 3 years. The options are exercisable from 18 July 2010 to 17 July 2017 (both days inclusive), and shall expire on 18 July 2017.

Movements in the above share options are as follows:

	Number of share options
Granted on 18 July 2007	22,820,000
Forfeited	(590,000)
Balance at 31 March 2008	22,230,000

The fair value of the share options granted on 18 July 2007 was determined using the Binomial valuation model. The fair value determined was approximately HK$27,755,000 of which approximately HK$6,533,000 was recognised in the income statement for the year ended 31 March 2008 (2007: Nil). The significant inputs into the valuation model are as follows:

Share price at the date of grant	HK$4.8
Annual risk-free interest rate	4.8%
Expected option life	6 years
Expected volatility	32%
Expected dividend yield	4%
Expected employee exit rate	11%

17 RESERVES

(a) **Group**

	Share premium	Capital reserve *(Note (i))*	Legal reserve *(Note (ii))*	Statutory reserve *(Note (iii))*	Foreign currency translation reserve	Share-based reserve	Other reserves *(Note (iv))*	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 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 reserve	—	—	—	20,603	—	—	—	(20,603)	—
Currency translation differences	—	—	—	—	74,551	—	—	—	74,551
Dividends paid	—	—	—	—	—	—	—	(234,000)	(234,000)
At 31 March 2007	177,314	11,299	500	34,902	84,124	—	—	1,132,595	1,440,734
At 1 April 2007	177,314	11,299	500	34,902	84,124	—	—	1,132,595	1,440,734
Profit attributable to equity holders of the Company	—	—	—	—	—	—	—	392,093	392,093
Transfer to statutory reserve	—	—	—	20,403	—	—	—	(20,403)	—
Premium from issuance for share capital by global offering *(Note (v))*	1,916,194	—	—	—	—	—	—	—	1,916,194
Global offering expenses	(120,597)	—	—	—	—	—	—	—	(120,597)
Shares issued by capitalisation from share premium account	(1,064)	—	—	—	—	—	—	—	(1,064)
Acquisition of additional interest in a subsidiary from a minority shareholder *(Note (iv))*	—	—	—	—	—	—	(3,559)	—	(3,559)
Currency translation differences	—	—	—	—	81,138	—	—	—	81,138
Share-based compensation expenses	—	—	—	—	—	6,533	—	—	6,533
Dividends paid	(177,314)	(10,299)	—	—	—	—	—	(685,527)	(873,140)
At 31 March 2008	1,794,533	1,000	500	55,305	165,262	6,533	(3,559)	818,758	2,838,332
Representing:									
Final dividend proposed	107,470							—	
Others	1,687,063							818,758	
	1,794,533							818,758	

(b) **Company**

	Share premium	Capital reserve *(Note (i))*	Share-based reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	177,314	10,299	—	1,542	189,155
Profit for the year	—	—	—	233,992	233,992
Dividends paid	—	—	—	(234,000)	(234,000)
At 31 March 2007	177,314	10,299	—	1,534	189,147
At 1 April 2007	177,314	10,299	—	1,534	189,147
Profit for the year	—	—	—	765,169	765,169
Premium from issuance for share capital by global offering *(Note (v))*	1,916,194	—	—	—	1,916,194
Global offering expenses	(120,597)	—	—	—	(120,597)
Shares issued by capitalisation from share premium account	(1,064)	—	—	—	(1,064)
Share-based compensation expenses	—	—	6,533	—	6,533
Dividends paid	(177,314)	(10,299)	—	(685,527)	(873,140)
At 31 March 2008	1,794,533	—	6,533	81,176	1,882,242
Representing:					
Final dividend proposed	107,470			—	
Others	1,687,063			81,176	
	1,794,533			81,176	

Notes:

(i) Capital reserve represents 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 31 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 reserve at a rate of 10%. The statutory reserve is non-distributable.

(iv) Other reserves represent the difference between any consideration paid to acquire additional interest in a subsidiary from a minority shareholder and the relevant carrying value of net assets acquired.

(v) On 17 and 18 May 2007, the Company issued a total of 358,234,000 shares with a par value of HK$0.001 each at a price of HK$5.35 per share and raised an amount of approximately HK$1,916,552,000. All these shares rank pari passu with the then existing shares. The Company's shares commenced trading on the Hong Kong Stock Exchange on 18 May 2007. The proceeds of the aforementioned shares, net of listing expenses amounted to approximately HK$1,795,955,000. The resulting share premium amounted to approximately HK$1,795,597,000.

18 BORROWINGS

Borrowings are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Bank and other borrowings *(Note (a))*	668,709	929,401
Finance lease obligations *(Note (b))*	2,333	3,904
	671,042	933,305

(a) Bank and other borrowings

	2008	2007
	HK$'000	*HK$'000*
Non-current		
Long-term bank loans — secured	12,051	31,800
Long-term bank loans — unsecured	511,200	606,840
Loan from a minority shareholder *(Note)*	59,229	30,443
	582,480	669,083
Less: current portion of long-term bank loans	(188,793)	(253,310)
	393,687	415,773
Current		
Current portion of long-term bank loans — secured	9,393	19,310
Current portion of long-term bank loans — unsecured	179,400	234,000
Short-term bank loans — secured	57,517	65,607
Short-term bank loans — unsecured	—	155,000
Bank overdrafts — secured	28,712	11,662
Bank overdrafts — unsecured	—	28,049
	275,022	513,628
Total borrowings	668,709	929,401

Note: In 2007, the loan was borrowed from Linea Clothing (Private) Limited ("Linea"), 48% minority shareholder of Textured Jersey Lanka (Private) Limited.

On 24 August 2007, Brandix Lanka Limited ("Brandix") became the 48% minority shareholder of Textured Jersey Lanka (Private) Limited as a result of the acquisition of 48% shareholding in Textured Jersey Lanka (Private) Limited from Linea. Following the acquisition, Brandix owned 48% shareholding in Textured Jersey Lanka (Private) Limited. The loan granted by Linea was assigned to Brandix.

On 25 January 2008, Pacific Textured Jersey Holdings Ltd., a wholly owned subsidiary of the Company, acquired additional 8% interest in Textured Jersey Lanka (Private) Limited from Brandix. Consequently, the Group's interest in Textured Jersey Lanka (Private) Limited was increased from 52% to 60% and Brandix's interest in Textured Jersey Lanka (Private) Limited is 40%.

The loan is unsecured, interest-free and has no fixed repayment terms.

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

	2008	**2007**
	HK$'000	*HK$'000*
HK$	511,200	789,889
US$	154,053	135,214
Sri Lankan Rupee ("LKR")	3,456	4,298
	668,709	929,401

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

		2008			**2007**	
	HK$	*US$*	*LKR*	*HK$*	*US$*	*LKR*
Bank overdrafts	7% — 8%	3.8%	24.0%	7% — 8%	6.4%	23.0%
Bank loans	4.5%	4.5%	8.5%	5.0%	7.0%	8.5%

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

The maturity of borrowings is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Wholly repayable within 5 years	668,709	929,401

The borrowings are repayable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 year	275,022	513,628
Between 1 and 2 years	260,992	382,242
Between 2 and 5 years	132,695	33,531
	668,709	929,401

(b) **Finance lease obligations**

At 31 March 2008, the Group had obligations under finance lease repayable as follows:

	2008	2007
	HK$'000	*HK$'000*
Finance lease liabilities — minimum lease payments:		
— Not later than 1 year	1,675	3,231
— Later than 1 year and not later than 5 years	944	883
	2,619	4,114
Future finance charges on finance leases	(286)	(210)
Present value of finance lease obligations	2,333	3,904

	2008	2007
	HK$'000	*HK$'000*
The present value of finance lease liabilities is as follows:		
— Not later than 1 year	1,462	3,090
— Later than 1 year and not later than 5 years	871	814
	2,333	3,904

Finance lease obligations were denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	—	2,284
RMB	2,333	1,620
	2,333	3,904

19 DEFERRED TAXATION

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

The movement in the deferred taxation account is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
At 1 April	3,760	5,300
Recognised in the income statement *(Note 27)*	(293)	(1,540)
At 31 March	3,467	3,760

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 and others
	HK$'000
At 1 April 2006	(220)
Recognised in the income statement	(530)
At 31 March 2007	(750)
Recognised in the income statement	(1,143)
At 31 March 2008	(1,893)

Deferred tax assets:

	Provision
	HK$'000
At 1 April 2006	5,520
Recognised in the income statement	(1,010)
At 31 March 2007	4,510
Recognised in the income statement	850
At 31 March 2008	5,360

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:

	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after 12 months	5,360	4,510
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after 12 months	(1,893)	(750)
Net deferred tax assets	3,467	3,760

20 TRADE AND BILLS PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables	432,511	273,869
Bills payables	178,510	190,705
	611,021	464,574

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 was as follows:

	2008	2007
	HK$'000	*HK$'000*
0 — 60 days	539,578	374,190
61 — 120 days	62,038	87,568
Over 120 days	9,405	2,816
	611,021	464,574

Trade and bills payables were denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	187,235	114,067
RMB	77,795	57,251
US$	345,506	293,035
Others	485	221
	611,021	464,574

21 ACCRUALS AND OTHER PAYABLES

(a) **Group**

	2008	2007
	HK$'000	*HK$'000*
Accruals for other operating expenses	85,765	41,820
Provision for staff welfare and other related costs	88,836	83,834
Provision for customer claims	26,545	3,518
Provision for bonus	13,281	9,322
Others	7,365	2,312
	221,792	140,806

Accruals and other payables were denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	62,472	29,394
RMB	141,496	98,537
US$	17,439	12,513
Others	385	362
	221,792	140,806

(b) **Company**

	2008	**2007**
	HK$'000	*HK$'000*
Accruals for other operating expenses	3,820	128
Other payables	7	—
	3,827	128

Accruals and other payables were denominated in Hong Kong dollar.

22 DERIVATIVE FINANCIAL INSTRUMENTS

	2008	**2007**
	HK$'000	*HK$'000*
Forward foreign exchange contracts		
— held for trading		
— Assets	18,813	8,618
— Liabilities	1,327	234

The notional principal amounts of the outstanding forward exchange contracts at the balance sheet date are HK$574,000,000 (2007: HK$811,682,000).

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

23 OTHER REVENUE AND GAINS — NET

	2008	**2007**
	HK$'000	*HK$'000*
Other revenue:		
— Sub-contracting income	19,945	15,743
— Sale of residual materials	23,426	23,481
— Dividend income from listed investments	9	8
— Sundry income	14,401	13,206
	57,781	52,438
Other gains — net:		
— Derivative financial instruments		
— forward contracts	20,857	8,403
— Net foreign exchange gains	29,855	3,514
	50,712	11,917

24 OPERATING PROFIT

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

	2008	2007
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment *(Note 8)*	235,641	197,756
Amortisation of leasehold land and land use rights *(Note 7)*	564	535
Cost of inventories sold	3,100,806	2,852,552
Reversal of bad and doubtful debts	(5,013)	(18,730)
Write-off of bad and doubtful debts	4,568	1,672
Employment costs *(Note 25)*	330,678	311,099
Operating lease rental of land and buildings	4,524	3,612
Gain on disposal of property, plant and equipment *(Note 30(b))*	(9,596)	(1,324)
Provision for slow-moving and obsolete inventories	14,272	18,700
Impairment loss on available-for-sale financial assets	16	—
Auditor's remuneration	2,139	1,447

25 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008	2007
	HK$'000	*HK$'000*
Wages, salaries, bonus and allowances	287,274	251,482
Provision for long-service payment	893	438
Retirement benefit — defined contribution schemes *(Note (a))*	10,896	7,952
Staff welfare and benefits	25,082	51,227
Share-based compensation expenses	6,533	—
	330,678	311,099

(a) Retirement benefit costs — 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 31 March 2008 is set out below:

	Fees	Salaries	Discretionary bonuses	Employer's Contribution to retirement schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ip Ping Im	—	—	—	—	—
Choi Kin Chung	—	—	—	—	—
Wan Wai Loi	1,500	2,790	2,222	12	6,524
Tsang Kang Po	1,000	2,900	2,116	12	6,028
Lam Wing Tak	1,000	2,900	1,816	12	5,728
Lam King Man	1,000	1,730	1,295	12	4,037
Ho Hsiang Ming, James	—	—	—	—	—
Lau Yiu Tong	—	—	—	—	—
Chan Yue Kwong, Michael	138	—	—	—	138
Ng Ching Wah	138	—	—	—	138
Sze Kwok Wing, Nigel	138	—	—	—	138
	4,914	10,320	7,449	48	22,731

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

	Fees	Salaries	Discretionary bonuses	Employer's Contribution to retirement schemes	Total
	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

(c) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group include 4 directors (2007: 4 directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 individual (2007: 1 individual) are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other allowances	1,426	2,073
Discretionary bonuses	1,230	1,383
Retirement benefit — defined contribution schemes	12	12
Share-based compensation	134	—
	2,802	3,468

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

	2008	**2007**
HK$2,500,001 — HK$3,000,000	1	—
HK$3,000,001 — HK$3,500,000	—	1

26 FINANCE INCOME AND COSTS

	2008	**2007**
	HK$'000	*HK$'000*
Finance income:		
— bank interest income	44,351	4,548
Finance costs:		
— bank loans and overdrafts	33,098	42,064
— finance lease obligations	185	105
	33,283	42,169

27 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") and the State Council has announced the Detailed Implementation Regulations on 6 December 2007 which has become effective from 1 January 2008. The new CIT Law standardises the corporate income tax rate to 25% for both domestic and foreign investment enterprises effective from 1 January 2008. As such, the subsidiary established in Mainland China as a wholly-owned foreign enterprise is subject to enterprise income tax rate of 25% from 1 January 2008 (2007: 12%).

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:

	2008	**2007**
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	32,182	57,492
— Mainland China income tax	36,112	24,401
— Others	12	15
Over-provision	—	(232)
Deferred taxation *(Note 19)*	293	1,540
	68,599	83,216

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:

	2008	**2007**
	HK$'000	*HK$'000*
Profit before income tax	465,413	646,862
Tax calculated at weighted average domestic tax rate applicable to profits in the respective places/countries	63,659	78,998
Income not subject to tax	(1,346)	(1,444)
Expenses not deductible for tax purposes	6,262	5,960
Over provision in prior years	—	(232)
Others	24	(66)
	68,599	83,216

The weighted average applicable tax rate was:

	2008	2007
	HK$'000	*HK$'000*
Weighted average domestic applicable tax rate	13.7%	12.2%

The change in weighted average applicable tax rate above is mainly caused by a change in the corporate income tax rate for the PRC subsidiary from 1 January 2008.

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 shares in issue during the year.

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	392,093	555,698
Weighted average number of shares in issue (thousands)	1,388,157	1,074,702
Basic earnings per share (HK$ per share)	0.28	0.52

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has one category of dilutive potential shares: share options.

As the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares for the year ended 31 March 2008, those outstanding share options granted which amounted to 22,230,000 shares as at 31 March 2008 (2007: Nil) have no dilutive effect on earnings per share in 2008 and diluted earnings per share is therefore the same as basic earnings per share.

29 DIVIDENDS

	2008	**2007**
	HK$'000	*HK$'000*
Dividend paid *(Note (i))*	—	234,000
Special dividend paid *(Note (ii))*	779,999	—
Interim dividend paid of HK 6.5 cents (2007: Nil) *(Note (iii))*	93,141	—
Proposed final dividend of HK 7.5 cents (2007: Nil) *(Note (iv))*	107,470	—
	980,610	234,000

Note:

(i) On 6 June 2006, the Board of Directors of the Company declared a dividend of HK$234 million for the year ended 31 March 2007. The amount was paid on 12 June 2006.

(ii) On 26 April 2007, the Board of Directors of the Company declared a special dividend of approximately HK$780 million payable to the then equity holders of the Company. The amount was paid on 17 May 2007.

(iii) On 14 December 2007, the Board of Directors of the Company declared an interim dividend of HK 6.5 cents per share, totalling HK$93,141,000 for the year ended 31 March 2008. The amount was paid on 31 January 2008.

(iv) On 11 July 2008, the Board of Directors of the Company declared a final dividend of HK 7.5 cents per share for the year ended 31 March 2008. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ending 31 March 2009.

30 CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2008	2007
	HK$'000	*HK$'000*
Profit before income tax	465,413	646,862
Adjustment for:		
Share of (profit)/loss of associates	(886)	1,997
Depreciation of property, plant and equipment	235,641	197,756
Amortisation of leasehold land and land use rights	564	535
Gain on disposal of property, plant and equipment	(9,596)	(1,324)
Loss on disposal of available-for-sale financial assets	—	2
Interest income	(44,351)	(4,548)
Interest expense	33,283	42,169
Share-based compensation	6,533	—
Dividend income	(9)	(8)
Impairment loss on available-for-sale financial assets	16	—
Net fair value gains on derivative financial instruments	(9,102)	(8,403)
Unrealised gains on exchange difference	(19,017)	(2,021)
Operating profit before working capital changes	658,489	873,017
Increase in inventories	(39,950)	(263,435)
Increase in trade and bills receivables	(29,087)	(19,406)
Decrease/(increase) in deposits, prepayments and other receivables	1	(18,578)
Increase in trade and bills payables	146,447	45,295
Increase in accruals and other payables	51,306	48,730
Cash generated from operations	787,206	665,623

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

	2008	2007
	HK$'000	*HK$'000*
Net book amount *(Note 8)*	4,527	1,753
Gain on disposal of property, plant and equipment	9,596	1,324
Proceeds from disposal of property, plant and equipment	14,123	3,077

(c) **Acquisition of additional interest in a subsidiary from a minority shareholder *(Note 9)***

	2008	2007
	HK$'000	*HK$'000*
Net assets attributable to minority interest acquired	9,225	—
Excess of consideration over the carrying value of the minority interest acquired	3,559	—
Purchase consideration settled by cash	12,784	—

(d) **Significant non-cash transactions**

(i) 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$1,832,000 (2007: HK$4,197,000).

(ii) At 31 March 2008, the amount of approximately HK$29,680,000 (2007: Nil) in respect of purchase of property, plant and equipment has been provided for.

31 CONTINGENT LIABILITIES

As at 31 March 2008, the Group had no material contingent liabilities (2007: HK$Nil).

32 COMMITMENTS

(a) **Capital commitments**

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

	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	155,211	72,320

As at 31 March 2008, the Group had authorised the injection of capital into an associate to be established in Mainland China with an independent third party totalling approximately HK$24,304,000 to provide steam generated by the Group to potential users.

(b) **Operating lease commitments**

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

	2008	2007
	HK$'000	*HK$'000*
Not later than 1 year	2,276	2,299
Later than 1 year and not later than 5 years	644	1,004
	2,920	3,303

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 Company has no immediate or ultimate controlling party.

The following transactions were carried out with related parties:

(a) **Sale of goods**

Continuing

	2008	2007
	HK$'000	*HK$'000*
A minority shareholder and its related parties *(Note (i))*	222,618	332,341
A related party *(Note (ii))*	14,574	12,568
	237,192	344,909

Goods are sold at prices mutually agreed by both parties.

(b) **Management charges**

	2008	2007
	HK$'000	*HK$'000*
A minority shareholder and its related parties *(Note (i))*	224	457

(c) **Year-end balances (included in trade receivables and trade payables) arising from sale/purchase of goods:**

	2008	2007
	HK$'000	*HK$'000*
Receivables from related parties		
A minority shareholder and its related parties *(Note (i))*	20,316	38,597
A related party *(Note (ii))*	2,030	1,337
	22,346	39,934
Payables to related parties		
A minority shareholder *(Note (i))*	176	2,021

Note:

(i) In 2007, Linea was a minority interest shareholder, with 48% equity interest, of Textured Jersey Lanka (Private) Limited. Its related parties include its holding company and fellow subsidiaries.

On 24 August 2007, Brandix became the 48% minority shareholder of Textured Jersey Lanka (Private) Limited as a result of the acquisition of 48% shareholding in Textured Jersey Lanka (Private) Limited from Linea. Following the acquisition, Brandix owned 48% shareholding in Textured Jersey Lanka (Private) Limited.

On 25 January 2008, Pacific Textured Jersey Holdings Ltd., a wholly owned subsidiary of the Company, acquired additional 8% interest in Textured Jersey Lanka (Private) Limited from Brandix. Consequently, the Group's interest in Textured Jersey Lanka (Private) Limited was increased from 52% to 60% and Brandix's interest in Textured Jersey Lanka (Private) Limited is 40%. The related parties of Brandix 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**

	2008	2007
	HK$'000	*HK$'000*
Wages, salaries, bonus and allowances	23,957	38,979
Retirement benefits — defined contribution schemes	63	84
Share-based compensation expenses	134	—
	24,154	39,063

(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$765,169,000 (2007: HK$233,992,000).

E. UNAUDITED INTERIM FINANCIAL INFORMATION

The following is the condensed consolidated financial information of the Group for the six months ended 30 September 2008 as extracted from the interim results announcement of the Company published on 19 December 2008.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Revenue	2,551,607	2,305,298
Cost of sales	(2,213,134)	(1,866,892)
Gross profit	338,473	438,406
Other revenue	31,381	30,566
Other gains — net	545	7,434
Distribution and selling expenses	(78,415)	(90,971)
General and administrative expenses	(90,239)	(86,007)
Operating profit	201,745	299,428
Finance income	7,601	24,754
Finance costs	(7,390)	(17,782)
Share of profit/(loss) of associates	527	(465)
Profit before income tax	202,483	305,935
Income tax expense	(21,673)	(38,870)
Profit for the period	180,810	267,065
Attributable to:		
Equity holders of the Company	181,799	263,663
Minority interests	(989)	3,402
	180,810	267,065
Earnings per share for profit attributable to the equity holders of the Company — basic and diluted (HK$)	0.13	0.20
Dividends	42,988	873,140

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 30 September 2008

	30 September 2008	31 March 2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
ASSETS		
Non-current assets		
Leasehold land and land use rights	28,340	28,336
Property, plant and equipment	1,528,021	1,522,587
Interest in associates	22,333	15,086
Deferred taxation	16	3,467
Available-for-sale financial assets	1,776	1,808
	1,580,486	1,571,284
Current assets		
Inventories	810,351	993,285
Trade and bills receivables	777,829	608,708
Deposits, prepayments and other receivables	33,269	35,390
Derivative financial instruments	7,139	18,813
Cash and bank balances	1,109,242	1,175,481
	2,737,830	2,831,677
Total assets	4,318,316	4,402,961
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	1,433	1,433
Share premium	1,687,063	1,794,533
Reserves	1,266,798	1,043,799
	2,955,294	2,839,765
Minority interests	45,255	46,244
Total equity	3,000,549	2,886,009

	30 September 2008	31 March 2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
LIABILITIES		
Non-current liabilities		
Borrowings	239,616	393,687
Finance lease obligations	469	871
	240,085	394,558
Current liabilities		
Trade and bills payables	580,499	611,021
Accruals and others payables	200,299	221,792
Borrowings	269,495	275,022
Finance lease obligations	1,136	1,462
Derivative financial instruments	18,304	1,327
Current income tax liabilities	7,949	11,770
	1,077,682	1,122,394
Total liabilities	1,317,767	1,516,952
Total equity and liabilities	4,318,316	4,402,961
Net current assets	1,660,148	1,709,283
Total assets less current liabilities	3,240,634	3,280,567

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group, which has been prepared based on the unaudited statement of assets and liabilities of the Group as at 30 September 2008, extracted from the Company's interim results announcement dated on 19 December 2008 for the six months ended 30 September 2008, and adjusted on the basis set out in the notes below for the purpose of illustrating the effect of the Transaction as if it had taken place on 30 September 2008.

This unaudited pro forma financial information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transaction been completed as at 30 September 2008 or any future dates.

Unaudited pro forma statement of assets and liabilities of the Group

	Unaudited assets and liabilities of the Group as at 30 September 2008	Pro forma adjustment	Unaudited pro forma adjusted assets and liabilities of the Group
	HK$'000	*HK$'000*	*HK$'000*
		Note 1	
ASSETS			
Non-current assets			
Leasehold land and land use rights	28,340		28,340
Property, plant and equipment	1,528,021		1,528,021
Interest in a jointly-controlled entity	—	264,139	264,139
Interest in associates	22,333		22,333
Deferred taxation	16		16
Available-for-sale financial assets	1,776		1,776
	1,580,486		1,844,625
Current assets			
Inventories	810,351		810,351
Trade and bills receivables	777,829		777,829
Deposits, prepayments and other receivables	33,269		33,269
Derivative financial instruments	7,139		7,139
Cash and bank balances	1,109,242	(264,139)	845,103
	2,737,830		2,473,691
Total assets	4,318,316		4,318,316

	Unaudited assets and liabilities of the Group as at 30 September 2008	Pro forma adjustment	Unaudited pro forma adjusted assets and liabilities of the Group
	HK$'000	*HK$'000*	*HK$'000*
		Note 1	
LIABILITIES			
Non-current liabilities			
Borrowings	239,616		239,616
Finance lease obligations	469		469
	240,085		240,085
Current liabilities			
Trade and bills payable	580,499		580,499
Accruals and other payables	200,299		200,299
Borrowings	269,495		269,495
Finance lease obligations	1,136		1,136
Derivative financial instruments	18,304		18,304
Current income tax liabilities	7,949		7,949
	1,077,682		1,077,682
Total liabilities	1,317,767		1,317,767
Net assets	3,000,549		3,000,549

Notes to unaudited pro forma financial information of the Group

1. The adjustment represents the recognition of the capital contribution and the shareholder's loan to the JV Company pursuant to the Shareholders' Agreement, totalling US$33,864,000 (approximately HK$264,139,200), as an interest in a jointly-controlled entity, resulting in an increase in interest in a jointly-controlled entity by HK$264,139,200 and a decrease in cash and bank balances by the same amount.

2. The incidental cost of the Transaction has not been presented as a pro forma adjustment as the Directors consider that such amount would not be significant for the purpose of this pro forma financial information.

3. Except as mentioned above, no adjustments have been made to reflect the impact of the other transactions of the Group entered into subsequent to 30 September 2008.

B. REPORT FROM THE REPORTING ACCOUNTANT

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF PACIFIC TEXTILES HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 80 to 81 under the heading of "Unaudited Pro Forma Statement of Assets and Liabilities of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the circular dated 24 December 2008 (the "Circular") of Pacific Textiles Holdings Limited (the "Company"), in connection with the proposed formation of a joint venture with Justice Faith Holdings Limited (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 80 to 81 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited assets and liabilities of the Group as at 30 September 2008 with the unaudited interim financial information of the Company for the six months ended 30 September 2008, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2008 or any future date.

Opinion

In our opinion:

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

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

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 December 2008

RESPONSIBILITY STATEMENT

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

DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying shares of the Company

		Number of issued Shares held and nature of interest					
Name of Director/ Chief Executive	*Note*	**Personal interests**	**Family interests**	**Corporate interests**	**Trust interests**	**Total**	**Approximate percentage of issued share capital of the Company**
Choi Kin Chung	*1*	—	—	—	171,102,000	171,102,000	11.94%
Ip Ping Im	*2*	—	1,800,000	400,940,000	—	402,740,000	28.11%
Lam King Man	*3*	137,000	—	30,000,000	—	30,137,000	2.10%
Lam Wing Tak	*4*	3,667,000	200,000	100,000,000	—	103,867,000	7.25%
Lau Yiu Tong		51,500,000	—	—	—	51,500,000	3.59%
Tsang Kang Po	*5*	1,676,000	—	100,000,000	—	101,676,000	7.10%
Wan Wai Loi	*6*	2,123,000	400,000	100,350,000	—	102,873,000	7.18%

Note:

1. These Shares are directly held by Silver Bay International Holdings Limited, whose issued share capital is wholly-owned by Trustcorp Limited, the trustee of the United Harmony Trust, a discretionary trust. For the purposes of the SFO, Mr. Choi Kin Chung is the founder of the United Harmony Trust.

2. These Shares are directly held by Far East Asia Limited, whose issued share capital is wholly-owned by Mr. Ip Ping Im.

3. These Shares are directly held by Effective Approach Technology Limited, whose issued share capital is 50% owned by Dr. Lam King Man and 50% owned by the spouse of Dr. Lam King Man. Those shares under personal interests are held jointly by Dr. Lam King Man and his spouse.

4. These Shares are directly held by Fifth Element Enterprises Limited, whose issued share capital is 75% owned by Mr. Lam Wing Tak and 25% owned by the spouse of Mr. Lam Wing Tak.

5. These Shares are directly held by Top Strong Holdings Limited, whose issued share capital is 50% owned by Mr. Tsang Kang Po and 50% owned by the spouse of Mr. Tsang Kang Po.

6. These Shares are directly held by Hollywood Pacific Limited, whose issued capital is 25% owned by Mr. Wan Wai Loi and 25% owned by the spouse of Mr. Wan Wai Loi.

Save as disclosed above, none of the Directors or chief executive of the Company, as at the Latest Practicable Date, had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

At no time during the period under review were the rights to acquire benefits by means of the acquisition of shares in the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

So far as any Director or the chief executive of the Company is aware, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was (directly or indirectly) interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Long positions in Shares and underlying shares of the Company

Name of substantial shareholder	*Note*	Nature of interest	Number of issued Shares	Aggregate long position	Approximate percentage interest of issued share capital of the Company
Chiu Bo Lan		Beneficial owner	400,000	102,873,000	7.18%
	1	Interest of a controlled corporation	100,350,000		
	2	Interest of spouse	2,123,000		
Hollywood Pacific Limited	*1*	Beneficial owner	100,350,000	100,350,000	7.00%
Lam Wai Yee		Beneficial owner	1,800,000	402,740,000	28.11%
	3	Interest of spouse	400,940,000		
Far East Asia Limited	*4*	Beneficial owner	400,940,000	400,940,000	27.98%
Wong Bik Ha		Beneficial owner	200,000	103,867,000	7.25%
	5	Interest of a controlled corporation	100,000,000		
	6	Interest of spouse	3,667,000		
Fifth Element Enterprises Limited	*5*	Beneficial owner	100,000,000	100,000,000	6.98%
Law Oi Mui	*7*	Interest of spouse	171,102,000	171,102,000	11.94%
Trustcorp Limited	*8*	Trustee	171,102,000	171,102,000	11.94%
Silver Bay International Holdings Limited	*8*	Beneficial owner	171,102,000	171,102,000	11.94%

Name of substantial shareholder	*Note*	Nature of interest	Number of issued Shares	Aggregate long position	Approximate percentage interest of issued share capital of the Company
Wong Mei Ling	*9*	Interest of a controlled corporation	100,000,000	101,676,000	7.10%
	10	Interest of spouse	1,676,000		
Top Strong Holdings Limited	*9*	Beneficial owner	100,000,000	100,000,000	6.98%
The Capital Group Companies, Inc.		Interest of a controlled corporation	123,600,000	123,600,000	8.63%
Capital Group International, Inc.		Interest of a controlled corporation	123,600,000	123,600,000	8.63%
Capital International, Inc.		Interest of a controlled corporation	123,600,000	123,600,000	8.63%
	11	Investment manager			
Capital International Investments IV, LLC	*11*	Interest of a controlled corporation	123,600,000	123,600,000	8.63%
Capital International Investments IV, L.P.	*11*	Interest of a controlled corporation	119,620,100	119,620,100	8.35%
Capital International Private Equity Fund IV, L.P.	*11*	Beneficial owner	119,620,100	119,620,100	8.35%

Note:

1. Hollywood Pacific Limited is 25% owned by Mr. Wan Wai Loi and 25% owned by Ms. Chiu Bo Lan, the spouse of Mr. Wan Wai Loi.

2. Ms. Chiu Bo Lan is the spouse of Mr. Wan Wai Loi, a Director.

3. Ms. Lam Wai Yee is the spouse of Mr. Ip Ping Im, a Director.

4. Far East Asia Limited is wholly-owned by Mr. Ip Ping Im, a Director.

5. Fifth Element Enterprises Limited is 75% owned by Mr. Lam Wing Tak and 25% owned by Ms. Wong Bik Ha, the spouse of Mr. Lam Wing Tak.

6. Ms. Wong Bik Ha is the spouse of Mr. Lam Wing Tak, a Director.

7. Ms. Law Oi Mui is the spouse of Mr. Choi Kin Chung, a Director.

8. Silver Bay International Holdings Limited is wholly-owned by Trustcorp Limited, the trustee of the United Harmony Trust, a discretionary trust. For the purposes of the SFO, Mr. Choi Kin Chung, a Director, is the founder of the United Harmony Trust.

9. Top Strong Holdings Limited is 50% owned by Mr. Tsang Kang Po and 50% owned by Ms. Wong Mei Ling, the spouse of Mr. Tsang Kang Po.

10. Ms. Wong Mei Ling is the spouse of Mr. Tsang Kang Po, a Director.

11. Capital International Private Equity Fund IV, L.P. is a private equity fund managed by Capital International, Inc. Capital International Investments IV, L.P. is the general partner of Capital International Private Equity Fund IV, L.P. The general partner of Capital International Investments IV, L.P. is Capital International Investments IV, LLC, which is also the general partner of CGPE IV L.P., an employee securities fund formed to invest side-by-side with Capital International Private Equity Fund IV, L.P. Capital International, Inc. is the managing member of Capital International Investments IV, LLC.

Long positions in Shares and underlying shares of any other member in the Group

Name of member of the Group	Name of substantial shareholder	*Note*	Nature of interest	Number of issued shares	Approximate percentage of issued share capital
Textured Jersey Lanka (Private) Limited	Brandix Lanka Limited	*1*	Beneficial owner	76,666,992	40%

Note:

1. Textured Jersey Lanka (Private) Limited is owned as to 60% by Pacific Textured Jersey Holdings Ltd., a wholly-owned subsidiary of the Company, and 40% by Brandix Lanka Limited.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no other person had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

PROCEDURE FOR DEMANDING A POLL

Pursuant to the article 90 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least five members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or

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

(d) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so required or demanded and, in the latter case, not withdrawn or otherwise required under the Listing Rules, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number of proportion of the votes recorded in favour of or against such resolution.

If a poll is required or demanded as aforesaid, it shall (subject as provided in article 94 of the Articles) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was required or demanded as the chairman of the meeting directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was required or demanded. The demand for a poll may be withdrawn, with the consent of the chairman of the meeting, at any time before the close of the meeting at which the poll was demanded or the taking of the poll whichever is earlier.

MATERIAL ADVERSE CHANGE

Save as otherwise publicly disclosed by the Company, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, as far as the Directors are aware of, none of the Directors or their respective associates has any interest in a business which competes or is likely to compete with the businesses of the Group.

OTHER INTEREST

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

As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report as set out in this circular and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, PricewaterhouseCoopers was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirectly, in any assets which had been since 31 March 2008 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

(a) The registered office of the Company is situated at P.O. Box 309GT Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

(b) The head office and principal place of business in Hong Kong of the Company is situated at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

(c) The qualified accountant of the Company (as required under the Listing Rules) is Mr. Lam Hing Chau Leon, who is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Association of Chartered Certified Accountants and the Institute of Chatered Accountants in England and Wales.

(d) The secretary of the Company is Mr. Wu Tai Cheung, who is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Chartered Secretaries.

(e) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

MATERIAL CONTRACTS

The following contract has been entered into by the Company and its subsidiaries (not being contracts entered into the ordinary courses of business) with the two years immediately preceding the date of this circular and is or may be material:

- Shareholders' Agreement dated 28 November 2008, entered into between the Goodscore Limited, a subsidiary of the Company and Justice Faith Holdings Limited and King Jumbo Investment Limited.

Save as aforesaid, no material contracts (not contracts entered into the ordinary course of business) have been entered into by any member of the Group within the two years preceding the date of this circular.

DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM:

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

(b) the annual reports of the Company for each of the two financial years ended 31 March 2007 and 2008;

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

(d) the report issued by PricewaterhouseCoopers in connection with the unaudited pro forma financial information, the text of which is set out in Appendix II to this circular; and

(e) the written consent of PricewaterhouseCoopers, as referred to in paragraph headed "Expert and Consent" of this appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Pacific Textiles Holdings Limited (the "Company") will be held at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Thursday, 15 January 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** the shareholders agreement dated 28 November 2008 ("Shareholders Agreement") entered into among Goodscore Limited, a wholly owned subsidiary of the Company, Justice Faith Holdings Limited and King Jumbo Investment Limited ("King Jumbo") in relation to the formation of a jointly-controlled entity, King Jumbo, for the purpose as stated thereunder, details of which are set out in the circular of the Company dated 24 December 2008, and all the transactions and agreements as contemplated under the Shareholders Agreement, be and are hereby approved, ratified and confirmed;

AND the directors of the Company be and are hereby authorized to do all such further acts and things and execute such further documents as they consider necessary, desirable or expedient at their absolute discretion to give effect to the transactions and agreements contemplated by and implement the Shareholders Agreement with such change as such directors may consider necessary, desirable or expedient."

By order of the Board of Directors
Wu Tai Cheung
Company Secretary

Hong Kong, 24 December 2008

Notes:

(i) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

* *For identification purpose only*

(ii) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be deposited at the head office and principal place of business of the Company in Hong Kong at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong not less than 48 hours before the time for holding the extraordinary general meeting or any adjourned meeting.

(iii) The translation into Chinese language of this notice is for reference only. In case of inconsistency, the English version shall prevail.