Tungtex

(Holdings) Company Limited

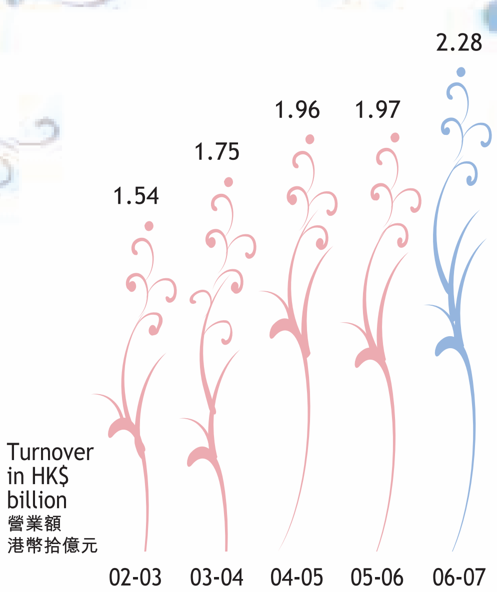
同得仕（集團）有限公司

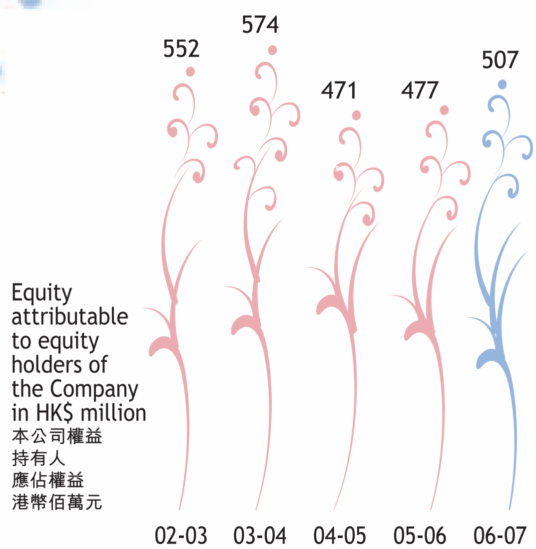
Stock Code 股份代號: 00518

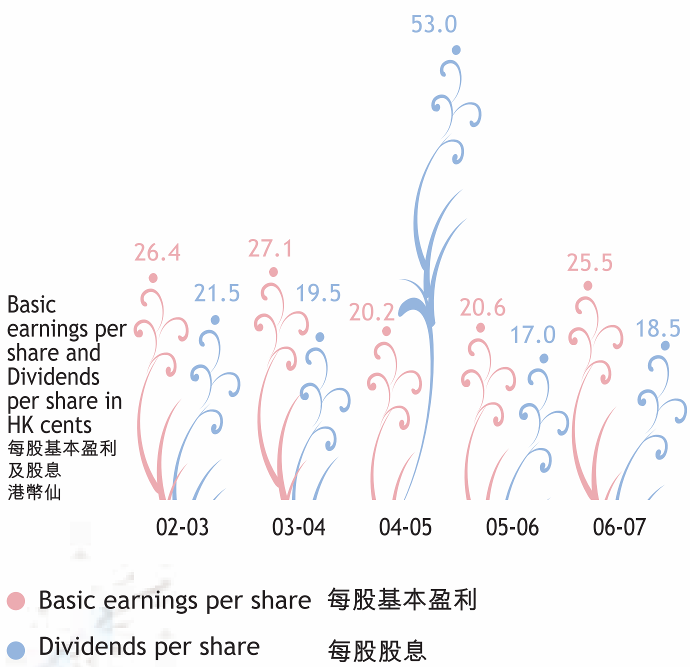
Annual Report 年報

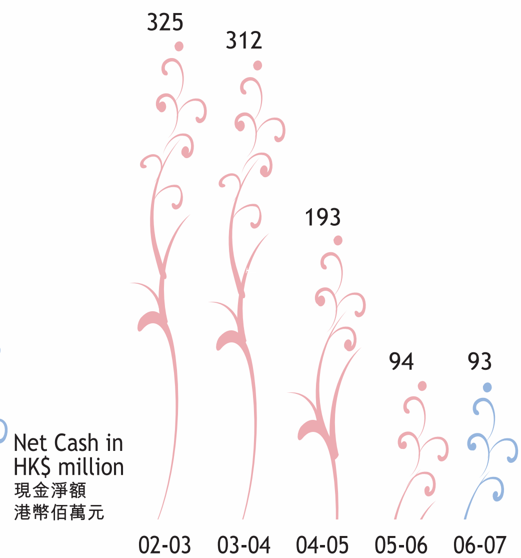
2007

FINANCIAL HIGHLIGHTS
財務資料概要









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Corporate Information

DIRECTORS

Executive Directors

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man

Non-Executive Directors

Tung Siu Wing
Kevin Lee Kwok Bun

Independent Non-Executive Directors

Johnny Chang Tak Cheung
Tony Chang Chung Kay
Joseph Wong King Lam
Robert Yau Ming Kim

AUDIT COMMITTEE

Joseph Wong King Lam *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim

REMUNERATION COMMITTEE

Benson Tung Wah Wing *(Chairman)*
Joseph Wong King Lam
Tony Chang Chung Kay

COMPANY SECRETARY

Lee Siu Mei

QUALIFIED ACCOUNTANT

Lee Siu Mei

REGISTERED OFFICE

12th Floor, Tungtex Building
203 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong
Telephone: 2797 7000
Fax: 2343 9668

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Citibank N.A.
Standard Chartered Bank
The Hongkong & Shanghai Banking
Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

http://www.tungtex.com
http://www.irasia.com/listco/hk/tungtex

HEAD OFFICE & MAJOR FACTORIES

Head Office - Hong Kong

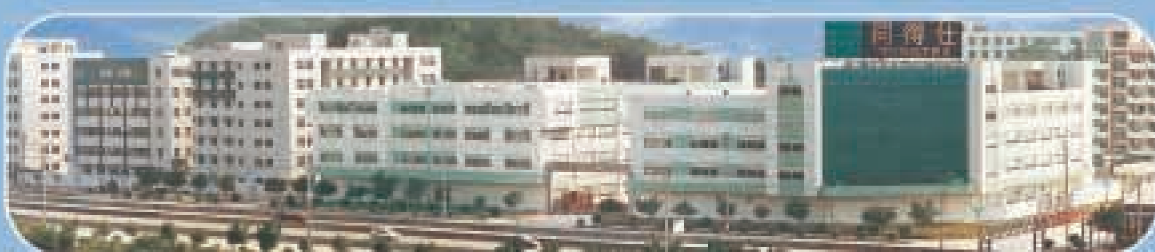
Shenzhen - China

Shenzhen - China

Panyu - China

Hangzhou - China

Hangzhou - China



Zhongshan - China

Philippines

Malaysia

Thailand

Chairman's Statement

RESULTS

I am pleased to report that Tungtex achieved marked improvement in results for the fiscal year ended March 31, 2007.

During the year under review, the order flow was stable and the business environment was generally favorable as compared to the previous year. However, the momentum was to a certain extent impacted by the uncertainty of the U.S. economy in the second half year when the economic indicators did not consistently inspire market confidence. That said, with the dedication of our teams, we achieved 15.3% growth in annual sales which amounted to HK$2,276 million. While gross profit margin came down slightly as a result of price pressure, we have diluted the impact by managing down the selling expenses and administrative expenses to a lower percentage of sales. The cost structure of our core business remained healthy.

The Group's Mainland China retail business and the USA wholesale label business were both getting back on track following a series of overhaul measures. While the turnover of these two lines of business remained insignificant on the Group level, they were moving towards a better shape.

For the fiscal year ended March 31, 2007, profit before tax increased by 32.0% to HK$156 million. Profit attributable to equity holders of the Company and earnings per share grew by 24.2% to HK$90 million and HK25.5 cents respectively. Return on average equity increased from 15.3% to 18.3%.

FINAL DIVIDEND

The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting a final dividend of HK12.5 cents per share (2006: HK11.5 cents per share), payable on September 7, 2007 to shareholders whose names appear on the Register of Members on August 31, 2007. Together with an interim dividend of HK6.0 cents per share (2006: interim dividend HK5.5 cents per share), the total dividends for the year will be HK18.5 cents per share (2006: HK17.0 cents per share).

BUSINESS REVIEW

Manufacture and export business

The Group's manufacture and export business benefited from the resumption of buying confidence and stable order flow this year. To cater for the growing orders and the diverse demand of overseas buyers, we expanded our production capacity in China and in certain Asian countries during the year. Meanwhile, we also strengthened our R&D functions and conducted workflow refinement projects with an aim to provide comprehensive and quick solutions to our buyers. As a result, we managed to grow our turnover by 15.3% on a full year basis.

In terms of geographical distribution, the sales to North America grew by 16% to HK$2,024 million, which accounted for 89% of the Group's turnover. The export sales to Europe and other markets also achieved 16% growth to HK$112 million, representing about 5% of the turnover of the Group.

Chairman's Statement

USA wholesale label business

Business performance of the USA wholesale label business continued to improve following a series of revitalizing measures. The market response to our strengthened product design and market positioning of "Zelda" brand was satisfactory. This line of business has become profit contributing although the absolute figure was insignificant.

Mainland China retail business

Our strategy of focusing on "Betu" brand continued to be working well despite the stiff competition. Enhanced products design and products flow allowed quicker response to the consumers' needs. The development into second and third-tier cities via franchisee program was also effective in spreading market presence. All these were contributing to the encouraging improvement in result during the year under review.

At the fiscal year end date, there were 83 "Betu" shops across Mainland China. Total retail sales amount in Mainland China for the year was slightly lower than last year's and accounted for approximately 4% of the Group's turnover.

PROSPECTS

The key challenges for the garment industry ahead would be how to stay highly cost-competitive and how to achieve better value along the value chain. The persistently growing costs in China and Asian countries are constant drive for lifting productivity, not to mention the price pressure from market. In response, we have been implanting the lean concept at all levels and all functions in order to get rid of wastage and redundancy. Low value but essential processes are flowing to the low cost regions and will eventually be replaced by process integration and reengineering.

Apart from cost-effectiveness, maximizing the value to buyers is equally crucial. We are putting enormous emphasis on adding extra value along the business cycle, from product development to delivery. We strive to start customized service to our buyers at the very early stage of their buying process in order to enrich their buying experience and to cement the partnering relationship. We vigorously review our production flow to ensure shortest lead time is required for first-class products, which is vital for our buyers catching retail seasons. Our logistic flow has also been streamlined to make prompt and certain delivery possible.

Regarding marketing strategy, we will not be complacent with the healthy growth of our sales to the U.S. market. We are proactively exploring the opportunities in the Europe market where we have been stepping up our marketing effort. This is consonant with the trend of globalization for all parties along the value chain as well.

As for Mainland China retail business, we are delighted to see remarkable improvement in business momentum and we expect the trend to continue. In spite of the fierce competition in the market, our effort in strengthening the brand image and product design started to bear fruit as evidenced by growing customer receptiveness. The introduction of franchisee program earlier this year was also proven to be an effective strategy to spread our presence quickly and economically in the second and third-tier cities. As at the report date, there are 91 "Betu" shops in Mainland China.

As regards the USA wholesale label business, "Zelda" brand has been back to a profitable state while the absolute amount of the contribution remained small. With the key operating areas rationalized in the past few years, and that the management team was further strengthened, greater momentum is envisioned in the foreseeable future.

In conclusion, building on the group's solid foundation in the industry and on the effort we made in the recent periods in turning around the underperforming areas, we are fully confident in going from strength to strength in future. With respect to the business outlook for the fiscal year 2007/2008, we are prudently optimistic based on the current evaluation.

Major Factories/Offices	Wholesale Label in the United States	Retail Stores in China

HUMAN RESOURCES

We see our employees the most important asset of the Group, and the core element of our continued success. Building a strong and coherent team has always been our management priority. We incentivize our outstanding employees on performance-linked basis in order to ensure their interests are aligned with that of the Group. To this end, a share option scheme was introduced during the year. Meanwhile, through offering job satisfaction and empowerment, we aim to instill in all our employees a sense of ownership of the corporate goals.

ACKNOWLEDGEMENT

Last but not the least, I would like to thank our global management team and staff members for their hard work and contribution. I would also like to express my sincere gratitude to our valued customers, shareholders, and the members of the Board for their generous support throughout the year.

Benson Tung Wah Wing
Chairman

Hong Kong, July 11, 2007


BetU
Shining at your Golden Age

Profile of Directors and Senior Management

DIRECTORS

Executive Directors:

Benson Tung Wah Wing
Chairman
Chairman of Remuneration Committee
Aged 56, is the principal founder of the Group and has been involved in the garment industry since 1967. Under his leadership, the Group was listed on The Stock Exchange of Hong Kong Limited in 1988. He is the brother of Mr. Tung Siu Wing, the uncle of Mr. Raymond Tung and the father of Mr. Martin Tung and Mr. Billy Tung . He has an equity interest of 100% in Corona Investments Limited which is the substantial shareholder of the Company (as disclosed in the section headed "SUBSTANTIAL SHAREHOLDERS" in the Directors' Report).

Alan Lam Yiu On
Managing Director
Aged 45, was appointed as an executive director in 1995, the deputy managing director in 2001 and then the managing director in 2003. Prior to joining the Company in 1988, he worked for an international accounting firm for over 3 years. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University.

Raymond Tung Wai Man
Aged 42, joined the Group in 1988 and was appointed as an executive director in 2000. He is also an executive director of Tungtex Trading Company Limited. He is a nephew of Mr. Benson Tung and Mr. Tung Siu Wing. He holds a Post-experience Certificate in Engineering Business Management from the Hong Kong Polytechnic University.

Non-executive Directors:

Tung Siu Wing
Aged 58, is a co-founder of the Group. He was redesignated as a non-executive director of the Company in 2002. He has been involved in the garment industry for over 41 years. He is a brother of Mr. Benson Tung and the uncle of Mr. Raymond Tung.

Kevin Lee Kwok Bun
Aged 57, was appointed as an executive director of the Company in 1987. He was redesignated as a non-executive director of the Company in 1995. Prior to joining the Company, he worked for an international accounting firm for 10 years and held the position of chief financial officer at two local listed companies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Canadian Institute of Chartered Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Science Degree from the University of Hong Kong.

Profile of Directors and Senior Management

Independent Non-executive Directors:

Johnny Chang Tak Cheung

Aged 64, has been a non-executive director of the Company since the listing of the Company's shares in 1988. He was redesignated as an independent non-executive director of the Company in 1995. He is the uncle of Mr. Tony Chang. He has 39 years' experience in the garment business and is currently a director of a famous shirt making private company.

Tony Chang Chung Kay

Member of Audit Committee and Remuneration Committee

Aged 51, was appointed as a non-executive director of the Company in 1994. He was redesignated as an independent non-executive director of the Company in 1995. He is the nephew of Mr. Johnny Chang. He is a director of a famous shirt making private company and has 30 years' experience in the garment industry. He holds a Bachelor of Science Degree from the McGill University.

Joseph Wong King Lam

Chairman of Audit Committee

Member of Remuneration Committee

Aged 55, was appointed as an independent non-executive director of the Company in 2004. He had been the company secretary of the Company from 1987 to 1991 and had been the financial controller of the Company from 1987 to 1992. He is currently the chief executive officer of a renowned automobile services company in Hong Kong. He has more than 27 years' extensive experience in auditing, corporate and financial management with a number of companies in different business sectors which include an international accounting firm and a local listed company. He is also an independent non-executive director of China Strategic Holdings Limited, Hanny Holdings Limited, Honesty Treasure International Holdings Limited and Wing On Travel (Holdings) Limited and executive director of Grand Field Group Holdings Limited. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Robert Yau Ming Kim

Member of Audit Committee

Aged 68, was appointed as an independent non-executive director of the Company in 2006. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he first served as trade officer in the Hong Kong Government in 1964. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organization) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

Martin Tung Hau Man

Aged 32, is an assistant director of the Company and the managing director of Sing Yang Trading Limited. He joined the Company in 2000 and has about 7 years' experience in the garment industry. He is a son of Mr. Benson Tung and the brother of Mr. Billy Tung. He holds a Bachelor of Arts Degree in Economics from the Simon Fraser University and a Master of Science Degree in Engineering Business Management from the University of Warwick.

Billy Tung Chung Man

Aged 30, is an assistant director of the Company and a director of the Group's retail operation. He joined the Company in 2001 and has about 6 years' experience in the garment industry. He is a son of Mr. Benson Tung and the brother of Mr. Martin Tung. He holds a Bachelor of Engineering Degree in Civil Engineering from the University of Warwick and a Master of Science Degree in Information Technology from the University College London.

Frankie Kwok Yan Chi

Aged 54, is the president of Tungtex (U.S.A.) Inc.. Prior to joining the Group in 1989, he held senior position at a number of garment companies. He has 31 years' experience in the garment industry. He holds a Higher Diploma in Textile Technology from the Hong Kong Polytechnic University.

Peter Kan Mui

Aged 54, is the minority partner of Yellow River, Inc.. He is a well known fashion designer in the United States and has 29 years' experience in the garment industry. He holds a Bachelor of Arts Degree from the Trinity University.

Tammy Wong Ming Hung

Aged 49, is a director of Yellow River, Inc.. Prior to joining Yellow River, Inc. in 1986, she worked for Do Do Fashion Limited for 9 years. She has 30 years' experience in the garment industry.

Miranda H.Y. Tsao – Yau

Aged 53, is the chief executive officer of West Pacific Enterprises Corporation. Prior to re-joining the Group in 2005, she worked in this subsidiary for 15 years. She has 29 years' experience in the garment industry.

Michael Palumbo

Aged 51, is the president of West Pacific Enterprises Corporation. Prior to joining the Group in 1990, he worked for a famous garment manufacturing company in New York of the United States for over 10 years. He holds a Bachelor of Arts Degree from the Rutgers University.

Dixon Ng Po Chuen

Aged 52, is the managing director of Golden Will Fashions Limited. He joined the Group in 1991 and has 32 years' experience in the garment industry. He holds a Certificate in Clothing from the Institute of Vocational Education (Kwun Tong).

Profile of Directors and Senior Management

Eugene Cheng Kam Fai

Aged 47, is an assistant general manager of the Company and the group human resources manager. He joined the Company in 2003 and has 18 years' experience in professional human resources management in various industries, including banking, manufacturing and service. He holds a Bachelor of Arts Degree and a Master of Business Administration Degree from the Executive MBA programme at the Chinese University of Hong Kong.

Ray Chan Pui Wai

Aged 37, is an assistant general manager of the Company and the group treasurer. Prior to joining the Company in 2004, he worked for an international bank for over 10 years. He holds a Bachelor of Social Science Degree from the University of Hong Kong and a Certificate in International Cash Management from the Association of Corporate Treasurers.

Lee Siu Mei

Aged 33, is the company secretary of the Company and the group financial controller. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company in 1999, she worked for an international accounting firm for about 3 years. She holds a Bachelor of Business Administration Degree in Professional Accountancy from the Chinese University of Hong Kong and a Master of Science Degree in Engineering Business Management from the University of Warwick.

Lydia So Siu Chun

Aged 46, is the general manager – production of the Group. She joined the Group in 2000 and has 26 years' experience in the garment industry.

Roger Kan Wai Sing

Aged 46, is the general manager – production of the Group. He joined the Group in 1997 and has 23 years' experience in the garment industry. He holds a Higher Diploma in Fashion and Clothing Technology from the Hong Kong Polytechnic University.

Chan Chung Choi

Aged 62, is an in-house consultant on quality production management of the Group. He joined the Company in 2002 and has 36 years' experience in the garment industry. He holds a Certificate in Apparel Engineering from Kurt Salmon Associates Inc. and a Bachelor of Social Science Degree from the Chinese University of Hong Kong.

Amy Kwok Yiu Hung

Aged 44, is the general manager of the Hong Kong office of Yellow River Inc. She joined the Group in 1988 and has 23 years' experience in the garment industry. She holds a Higher Diploma in Fashion and Clothing from the Hong Kong Polytechnic University.

Profile of Directors and Senior Management

Joe Hui Siu Ngor
Aged 44, is the general manager of Do Do Fashion Limited in charge of Sales and Marketing. She joined the Group in 1987 and has 20 years' experience in the garment industry.

Monnie Tong Lai Ying
Aged 47, is the general manager of Do Do Fashion Limited in charge of Finance and Administration. She joined the Group in 1988 and has 23 years' experience in the garment industry.

Dong Zhong Hui
Aged 53, is the assistant general manager of China operation and a director of Sing Yang (Overseas) Limited. He joined the Group in 1983 and has 27 years' experience in the garment industry. He graduated from the Physics Department of Shanghai Fudan University.

Bosco Lee Wai Ming
Age 43, is the general manager of Sing Yang Trading Limited. He joined the Group in 2006 and has 18 years' experience in the garment industry. He holds the Certificate of Programme on Practical Garment, Merchandising and Supervisory Management from The Hong Kong Management Association.

Fiona Cheung Fung Kwan
Aged 41, is the general manager of the Group's retail operation. Prior to joining the Group in 2007, she worked for a listed global company for managing its retail and wholesale business in both Hong Kong and Asian market. She has 18 years' experience in different retail sectors and apparel industry. She holds a Bachelor of Arts Degree from The University of Hong Kong and a Master of Business Administration in International Management from The University of London.


ZELDA

Management Discussion and Analysis

OPERATING RESULTS

The Group's turnover for the year ended 31 March 2007 increased by 15.3% to HK$2,276 million. Profit attributable to equity holders of the Company and earnings per share increased by 24% to HK$90 million and HK25.5 cents respectively. The double-digit increase in the Group's turnover was attributable to the even growth in sales of our client base. Sales to both the U.S. and to Europe and other markets went up by 16%. The pre-tax contribution from North America segment and Europe and other market segment were HK$161 million and HK$13 million respectively. Asia segment has turned profitable to making a profit of HK$5.3 million this year.

During the year under review, although order flow was relatively steady, a number of adverse factors were putting pressure on costs and margins. They included persistently high oil price, growing wages and material costs in China, and the appreciating value of RMB and Asian currencies. Nevertheless, consolidated costs of sales were reasonably controlled which went up slightly to 77.3% of total sales (2006: 76.0%). Meanwhile, we have successfully cut down the selling and distribution expenses to 4.5% (2006: 5.4%) and administrative expenses to 12.2% (2006: 13.7%) of total sales. Finance costs went up from HK$3.7 million to HK$5.7 million because of increased utilization of short-term working capital financing for business growth.

The continuously active industrial property market has brought HK$17.9 million (2006: HK$17.6 million) valuation gain on investment property.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$23.5 million capital expenditure (2006: HK$24.0 million). It mainly represented regular replacement and small scale expansion in production capacity.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained solid and benign. As at the balance sheet date, the Group's cash level was recorded at HK$180 million as compared to HK$148 million of last year. Most of the cash balance was placed in USD and HKD short-term deposits with major banks in HK. Total bank borrowings of HK$86 million included HK$20 million discounted export bills. The remaining balance comprised trust receipt loans, bank overdraft and short-term loans. The borrowings were mainly denominated in USD and HKD and the total bank borrowings represented 17% of the shareholders' funds at the year end date. With the net cash balance of HK$93 million and abundant banking facilities available, the Group has sufficient liquidity and financial resources to meet the operational and investment needs.

Management Discussion and Analysis

Working capital cycle continued to be under stringent control. Inventory turnover shortened from last year's 44 days to 37 days. Trade receivable turnover of this year was 46 days, 1 day longer than last year. Current ratio and quick ratio were stable at 1.8 and 1.2 respectively, as compared to the last year's 1.8 and 1.2.

As at March 31, 2007, certain land and buildings with an aggregate net book value of approximately HK$16 million (2006: HK$17 million) and certain investment properties with an aggregate carrying value of approximately HK$15 million (2006: HK$11 million) as well as bank deposits of HK$0.3 million (2006: HK$0.2 million) were pledged to banks to secure general banking facilities granted to the Group. No additional tangible security was given to banks during the year.

TREASURY POLICY

The Group continued to adopt prudent policies to hedge exchange rate and interest rate risks associated with our core business. It is our Group's policy not to engage in speculative activities. The majority of our export sales are denominated in USD while a tiny portion destined for the European markets is denominated in EURO. The Group entered into a limited number of forward contracts to hedge the risks as deemed appropriate. Our Mainland China retail business provided a natural hedge for our RMB expense to a certain extent.

HUMAN RESOURCES

As at March 31, 2007, the Group had approximately 9,800 employees globally, as compared to 9,400 as at March 31, 2006. The increase was mainly production workers for factories in China and Asian countries.

The Group puts high emphasis on human resource management. We strive to attract and retain talented people in the industry by offering career development opportunities and competitive remuneration package with reference to the market practice.

Corporate Governance Report

The Board of Directors and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the review year.

A. DIRECTORS

A.1 The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders.

During the year ended March 31, 2007, the Board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

Name of director	Number of attendance
Mr. Benson Tung Wah Wing	4/4
Mr. Alan Lam Yiu On	4/4
Mr. Raymond Tung Wai Man	4/4
Mr. Tung Siu Wing	4/4
Mr. Kevin Lee Kwok Bun	4/4
Mr. Johnny Chang Tak Cheung	4/4
Mr. Tony Chang Chung Kay	4/4
Mr. Joseph Wong King Lam	4/4
Mr. Robert Yau Ming Kim (appointed on September 18, 2006)	3/3
Mr. Woo Kwong Hon (resigned on September 18, 2006)	1/1

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is normally given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by any director with reasonably advance notice. Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board meetings will be sent to all directors for their comments and records respectively within a reasonable time after the Board meeting is held.

Corporate Governance Report

Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

A.2 Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separated individuals, with Mr. Benson Tung Wah Wing being the Chairman and Mr. Alan Lam Yiu On being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board.

With the support of the Managing Director and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.

A.3 Board composition

The Board consists of three executive directors, two non-executive directors and four independent non-executive directors:

Executive directors:
Mr. Benson Tung Wah Wing *(Chairman)*
Mr. Alan Lam Yiu On *(Managing Director)*
Mr. Raymond Tung Wai Man

Non-executive directors:
Mr. Tung Siu Wing
Mr. Kevin Lee Kwok Bun

Independent non-executive directors:
Mr. Johnny Chang Tak Cheung
Mr. Tony Chang Chung Kay
Mr. Joseph Wong King Lam
Mr. Robert Yau Ming Kim (appointed on September 18, 2006)
Mr. Woo Kwong Hon (resigned on September 18, 2006)

Corporate Governance Report

More than one-third of the Board are independent non-executive directors and each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Mr. Johnny Chang Tak Cheung is the uncle of Mr. Tony Chang Chung Kay. They declare the relationship does not affect their independence as they make decision independently and vote in their own accord. The Company considers that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

The relationship among members of the Board is disclosed in "Profile of Directors and Senior Management" of this annual report.

A.4 Appointment, re-election and removal

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 12 to 16.

The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills, knowledge and experience appropriate for the requirements of the businesses of the Group. Since the full Board is involved in the appointment of new directors, the Company has not established a Nomination Committee.

A.5 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended March 31, 2007. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

Corporate Governance Report

A.6 Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr. Benson Tung Wah Wing and its majority members are independent non-executive directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The director's emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience for the industry, prevailing market conditions and the Company's performance. The full terms of reference are available on the Company's website: http://www.tungtex.com

During the year ended March 31, 2007, the Remuneration Committee held three meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Benson Tung Wah Wing *(Chairman)*	3/3
Mr. Tony Chang Chung Kay	3/3
Mr. Joseph Wong King Lam	3/3

In order to attract and retain suitable and high-calibre personnel, to incentive them to contribute to the future development and growth of the Group and any Invested Entity, a share option scheme was adopted by the Company on September 5, 2006. Details of the share option scheme are set out in note 30 to the consolidated financial statements.

Corporate Governance Report

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended March 31, 2007, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis.

The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report".

C.2 Internal controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

The Board periodically conducts review of the effectiveness of the system of internal controls, covering all material controls including financial, operational and compliance controls and risk management functions.

Corporate Governance Report

C.3 Audit Committee

The Audit Committee was established in 1999 and comprises the three independent non-executive directors. The Committee is chaired by Mr. Joseph Wong King Lam who possesses recognized professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The full terms of reference are available on the Company's website: http://www.tungtex.com

During the year ended March 31, 2007 the Audit Committee held three meetings with attendance record as follows:

Name of member	Number of attendance
Mr. Joseph Wong King Lam *(Chairman)*	3/3
Mr. Tony Chang Chung Kay	3/3
Mr. Robert Yau Ming Kim (appointed on September 18, 2006)	1/1
Mr. Woo Kwong Hon (resigned on September 18, 2006)	2/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended March 31, 2007 and the interim accounts for six months ended September 30, 2006 respectively with senior management and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, and financial reporting matters.

C.4 Remuneration to the external auditors of the Company

The remuneration to the external auditors of the Company for the year ended March 31, 2007 is set out as follows:

Services rendered	Fee *HK$'000*
Audit services	1,984
Non-audit services	
– taxation services	281
– review of interim financial statements	314

Corporate Governance Report

D. DELEGATION BY THE BOARD

D.1 Management functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior management members, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

D.2 Board committees

Audit Committee and Remuneration Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting ("AGM"). The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis.

E.2 Voting by poll

The right to demand a poll was set out in the circular containing the notice of year 2006 annual general meeting. The Chairman of the AGM exercised his power under the Articles of Association of the Company to put each resolution set out in the notice to be voted by way of a poll.

Directors' Report

The directors present their annual report and the audited financial statements of the Group and of the Company for the year ended March 31, 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments, which contributed for more than 90% of the Group's turnover and profit for the year. The activities of its principal subsidiaries and associates are set out in notes 18 and 19 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 19% and 45%, respectively. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2007 are set out in the consolidated income statement on page 37 of the annual report.

An interim dividend of HK6.0 cents per share amounting to HK$21,128,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK12.5 cents per share to the shareholders on the register of members on August 31, 2007, amounting to HK$44,017,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2007 represented the retained profits of HK$158,435,000 (2006: HK$167,343,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 88 of the annual report.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at March 31, 2007. The increase in fair value of investment properties of HK$17,932,000 is credited to the consolidated income statement. Details of the movements in the investment properties of the Group during the year are set out in note 14 to the consolidated financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$23,522,000 on the acquisition of property, plant and equipment for the purpose of expanding the Group's business.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man

Non-executive directors:

Tung Siu Wing
Kevin Lee Kwok Bun

Independent non-executive directors:

Johnny Chang Tak Cheung
Tony Chang Chung Kay
Joseph Wong King Lam
Robert Yau Ming Kim (appointed on September 18, 2006)
Woo Kwong Hon (resigned on September 18, 2006)

Pursuant to Article 84(A) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as The Stock Exchange of Hong Kong Limited (the "Stock Exchange") may from time to time prescribe. Accordingly, Messrs. Alan Lam Yiu On, Tung Siu Wing and Tony Chang Chung Kay retire by rotation and, being eligible, offer themselves for re-election.

Directors' Report

Pursuant to Article 87 of the Company's Articles of Association, any director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company. Accordingly, Mr. Robert Yau Ming Kim retires and, being eligible, offers himself for re-election.

The term of office of each of the non-executive directors is the period up to his retirement by rotation in accordance with Article 84(A) and 87 of the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At March 31, 2007, the interests and short positions of the directors, the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Long positions (ordinary shares of HK$0.20 each of the Company)

Name of director	Capacity	Number of ordinary shares held	Number of share options held	Total interests	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*/Beneficial owner	125,049,390	1,500,000	126,549,390	35.93%
Alan Lam Yiu On	Beneficial owner	350,000	1,500,000	1,850,000	0.52%
Raymond Tung Wai Man	Beneficial owner	400,000	1,000,000	1,400,000	0.39%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	–	9,000,000	2.55%
Johnny Chang Tak Cheung	Beneficial owner/Beneficiary of a trust *(note b)*	2,191,680	–	2,191,680	0.62%
Tony Chang Chung Kay	Beneficial owner	3,494,760	–	3,494,760	0.99%
Joseph Wong King Lam	Beneficial owner	1,390	–	1,390	0.000395%

Directors' Report

Notes:

(a) Mr. Benson Tung Wah Wing has an equity interest of 100% in Corona Investments Limited, which owned 125,049,390 ordinary shares in the Company as at March 31, 2007, representing 35.51% of the issued share capital of the Company.

(b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 151,680 ordinary shares in the Company as at March 31, 2007. He is also a beneficiary of a trust, Chaco International Limited, which owned 2,040,000 ordinary shares in the Company as at March 31, 2007.

Save as disclosed above, as at March 31, 2007, none of the directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associate corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept, pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Report

SHARE OPTIONS

Particulars of the share option scheme and the movements in share options of the Company are set out in note 30 to the consolidated financial statements.

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Date of grant	Exercisable period	Exercisable price per share *HK$*	Number of share options At April 1, 2006	Granted during the year	Outstanding at March 31, 2007
Category 1: Directors						
Benson Tung Wah Wing	November 9, 2006	November 9, 2009 – November 8, 2014	1.80	–	1,500,000	1,500,000
Alan Lam Yiu On	November 9, 2006	November 9, 2009 – November 8, 2014	1.80	–	1,500,000	1,500,000
Raymond Tung Wai Man	November 9, 2006	November 9, 2009 – November 8, 2014	1.80	–	1,000,000	1,000,000
Total for directors				–	4,000,000	4,000,000
Category 2: Employees	November 9, 2006	November 9, 2009 – November 8, 2014	1.80	–	11,800,000	11,800,000
Total for all categories				–	15,800,000	15,800,000

The closing price of the Company's shares on the trading day immediately before November 9, 2006, being the date of grant of the 2006 options was HK$1.78.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed under the section of "Share Options" above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At March 31, 2007, shareholders who had interests and short positions in the shares and underlying shares of the Company, other than those mentioned in directors' interest, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investments Limited *(note a)*	Beneficial owner	125,049,390	35.51%
Veer Palthe Voûte NV *(note b)*	Investment manager	35,319,000	10.03%
Dresdner Bank Aktiengesellschaft *(note b)*	Interest of controlled corporation	35,319,000	10.03%
Allianz Aktiengesellschaft *(note b)*	Interest of controlled corporation	35,319,000	10.03%

Notes:

(a) These shares have been disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.

(b) Veer Palthe Voûte NV is 100% indirectly owned by Dresdner Bank Aktiengesellschaft, which is in turn 81.1% indirectly owned by Allianz Aktiengesellschaft.

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at March 31, 2007.

Directors' Report

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 38 to the consolidated financial statements.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group in respect of fabric print and artwork services from Fine Print Studio Inc.

The auditors have reported their factual findings on these procedures to the Board of Directors. The independent non-executive directors of the Company have reviewed the transactions and the findings, and confirmed that the transactions are:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms; and

c. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

The Company has an audit committee consisting of three independent non-executive directors of the Company. The committee meets regularly with the external auditors and management to review the interim and yearly financial statements of the Group.

Pursuant to Appendix 23 of the Listing Rules, details of Corporate Governance Report are set out on pages 20 to 26 of the annual report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

Directors' Report

EMOLUMENT POLICY

The emoluments of the directors of the Company are determined, among other things, with reference to their duties and responsibilities in the Company, their experience in the industry, prevailing market conditions and the Company's performance.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended March 31, 2007.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$44,000.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Benson Tung Wah Wing
Chairman

Hong Kong, July 11, 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF TUNGTEX (HOLDINGS) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 87, which comprise the consolidated and Company balance sheets as at March 31, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, July 11, 2007

Consolidated Income Statement

For the year ended March 31, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	5	**2,276,176**	1,974,483
Cost of sales		**(1,760,161)**	(1,500,937)
Gross profit		**516,015**	473,546
Other income	6	**8,096**	5,999
Increase in fair value of investment properties	14	**17,932**	17,594
Selling and distribution costs		**(102,777)**	(106,020)
Administrative expenses		**(277,692)**	(270,106)
Finance costs	7	**(5,736)**	(3,742)
Share of results of associates		**184**	975
Profit before tax	8	**156,022**	118,246
Income tax expense	11	**(49,910)**	(32,828)
Profit for the year		**106,112**	85,418
Attributable to:			
Equity holders of the Company		**89,913**	72,393
Minority interests		**16,199**	13,025
		106,112	85,418
Dividends	12	**61,624**	68,667
		HK cents	*HK cents*
Earnings per share	13		
– Basic		**25.5**	20.6
– Diluted		**25.5**	N/A

Consolidated Balance Sheet

At March 31, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	14	**68,284**	55,552
Property, plant and equipment	15	**132,382**	134,857
Prepaid lease payments	16	**27,230**	27,928
Intangible assets	17	**398**	471
Interests in associates	19	**7,919**	7,347
Available-for-sale investments	20	**–**	1,430
Deferred tax assets	21	**1,031**	861
		237,244	**228,446**
Current assets			
Inventories	22	**231,799**	237,958
Trade and other receivables	23	**374,818**	308,978
Prepaid lease payments	16	**731**	730
Amounts due from associates	38	**5,231**	735
Tax recoverable		**2,123**	2,252
Pledged bank deposits	24	**262**	235
Bank balances and cash	25	**179,637**	148,019
		794,601	698,907
Current liabilities			
Trade and other payables	26	**329,334**	308,201
Amount due to an associate	38	**–**	3,332
Tax liabilities		**35,467**	16,286
Obligations under finance leases – due within one year	27	**305**	147
Bank borrowings	28	**86,186**	54,167
		451,292	382,133
Net current assets		**343,309**	316,774
Total assets less current liabilities		**580,553**	545,220
Non-current liabilities			
Obligations under finance leases – due after one year	27	**344**	119
Deferred tax liabilities	21	**14,281**	12,000
		14,625	12,119
		565,928	533,101

Consolidated Balance Sheet

At March 31, 2007

	NOTE	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	29	**70,428**	70,428
Reserves		**436,773**	406,631
Equity attributable to equity holders of the Company		**507,201**	477,059
Minority interests		**58,727**	56,042
		565,928	533,101

The consolidated financial statements on pages 37 to 87 were approved and authorised for issue by the Board of Directors on July 11, 2007 and are signed on its behalf by:

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

Balance Sheet

At March 31, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	**2,750**	3,048
Investments in subsidiaries	18	**117,624**	115,332
Investment in an associate	19	**1,686**	1,686
Available-for-sale investments	20	**–**	1,430
Deferred tax assets	21	**19**	36
		122,079	121,532
Current assets			
Other receivables		**3,353**	801
Amounts due from subsidiaries	38	**231,706**	242,122
Tax recoverable		**530**	–
Bank balances and cash	25	**1,793**	2,561
		237,382	245,484
Current liabilities			
Other payables		**6,046**	7,010
Amounts due to subsidiaries	38	**10,536**	33,032
Tax liabilities		**–**	346
Bank borrowings	28	**25,181**	129
		41,763	40,517
Net current assets		**195,619**	204,967
		317,698	326,499
Capital and reserves			
Share capital	29	**70,428**	70,428
Reserves	31	**247,270**	256,071
		317,698	326,499

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

Consolidated Statement of Changes in Equity

For the year ended March 31, 2007

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At April 1, 2005	70,428	84,880	3,848	(8,546)	–	320,203	470,813	64,834	535,647
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	2,342	–	–	2,342	161	2,503
Share of reserves of associates	–	–	–	178	–	–	178	35	213
Net income recognised directly in equity	–	–	–	2,520	–	–	2,520	196	2,716
Profit for the year	–	–		–	–	72,393	72,393	13,025	85,418
Total recognised income and expenses for the year	–	–	–	2,520	–	72,393	74,913	13,221	88,134
Dividends paid *(note 12)*	–	–	–	–	–	(68,667)	(68,667)	–	(68,667)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	(22,013)	(22,013)
At March 31, 2006	70,428	84,880	3,848	(6,026)	–	323,929	477,059	56,042	533,101
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	1,419	–	–	1,419	243	1,662
Share of reserves of associates	–	–	–	327	–	–	327	61	388
Net income recognised directly in equity	–	–	–	1,746	–	–	1,746	304	2,050
Profit for the year	–	–	–	–	–	89,913	89,913	16,199	106,112
Total recognised income and expenses for the year	–	–	–	1,746	–	89,913	91,659	16,503	108,162
Share-based payments	–	–	–	–	107	–	107	–	107
Dividends paid *(note 12)*	–	–	–	–	–	(61,624)	(61,624)	–	(61,624)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	(13,818)	(13,818)
At March 31, 2007	**70,428**	**84,880**	**3,848**	**(4,280)**	**107**	**352,218**	**507,201**	**58,727**	**565,928**

Consolidated Cash Flow Statement

For the year ended March 31, 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**156,022**	118,246
Adjustments for:		
Bank interest income	**(3,113)**	(2,692)
Dividend income from available-for-sale investments	**(55)**	–
Gain on disposal of investment property	**(948)**	–
(Gain) loss on disposal of available-for-sale investments	**(171)**	16
Share-based payment expense	**107**	–
Amortisation of intangible assets	**73**	73
Amortisation of prepaid lease payments	**731**	730
Depreciation of property, plant and equipment	**27,873**	26,982
Impairment (reversal of impairment) of inventories	**1,909**	(802)
Loss on disposal of property, plant and equipment	**198**	350
Increase in fair value of investment properties	**(17,932)**	(17,594)
Finance costs	**5,736**	3,742
Share of results of associates	**(184)**	(975)
Operating cash flows before movements in working capital	**170,246**	128,076
Decrease (increase) in inventories	**4,250**	(70,062)
Increase in trade and other receivables	**(65,840)**	(42,582)
Increase in amounts due from associates	**(4,496)**	–
Increase in trade and other payables	**21,133**	25,642
Decrease in amount due to an associate	**(3,332)**	(8,367)
Cash generated from operations	**121,961**	32,707
Hong Kong Profits Tax paid	**(17,512)**	(14,827)
Taxation in other jurisdictions paid	**(10,987)**	(2,426)
Hong Kong Profits Tax refunded	**–**	302
Taxation in other jurisdictions refunded	**–**	140
NET CASH FROM OPERATING ACTIVITIES	**93,462**	15,896
INVESTING ACTIVITIES		
Proceeds on disposal of investment property	**6,148**	–
Interest received	**3,113**	2,692
Proceeds on disposal of available-for-sale investments	**1,601**	832
Proceeds on disposal of property, plant and equipment	**372**	163
Dividend income received from available-for-sale investments	**55**	–
Increase in pledged bank deposits	**(27)**	(3)
Purchase of property, plant and equipment	**(22,828)**	(23,983)
NET CASH USED IN INVESTING ACTIVITIES	**(11,566)**	(20,299)

Consolidated Cash Flow Statement

For the year ended March 31, 2007

	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**119,447**	46,674
Repayment of bank borrowings	**(82,687)**	(5,004)
Interest paid	**(5,736)**	(3,742)
Dividends paid	**(61,624)**	(68,667)
Dividends paid to minority shareholders of subsidiaries	**(13,818)**	(22,013)
Repayment of obligations under finance leases	**(311)**	(226)
NET CASH USED IN FINANCING ACTIVITIES	**(44,729)**	(52,978)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**37,167**	(57,381)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**142,987**	200,018
Effect of foreign exchange rate changes	**(698)**	350
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**179,456**	142,987
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**179,637**	148,019
Bank overdrafts	**(181)**	(5,032)
	179,456	142,987

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information section of the annual report.

The functional currency of the Company is United States dollars. The consolidated financial statements are presented in Hong Kong dollars for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 18 and 19, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after December 1, 2005, January 1, 2006 or March 1, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Group and of the Company.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 - Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after January 1, 2007
2 Effective for annual periods beginning on or after January 1, 2009
3 Effective for annual periods beginning on or after May 1, 2006
4 Effective for annual periods beginning on or after June 1, 2006
5 Effective for annual periods beginning on or after November 1, 2006
6 Effective for annual periods beginning on or after March 1, 2007
7 Effective for annual periods beginning on or after January 1, 2008

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Investment properties

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Prepaid lease payments

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

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

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

Investments in associates

An associate is an entity, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the balance sheet of the Company, investments in associates are stated at cost, as reduced by any identified impairment loss.

Financial instruments

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

Financial assets

The Group's financial assets are classified as available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to subsidiaries, amount due to an associate, obligations under finance leases and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed and are measured at the fair value of the consideration received or receivable.

Rental income, including rentals invoiced in advance for properties under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement scheme, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

4. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, amounts due from/to subsidiaries, amounts due from associates, bank balances, trade and other payables, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at March 31, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and Company balance sheets. The Group's concentration of credit risk by geographical locations is mainly in the United States. The trade receivable balances in the United States accounts for approximately 87% and 85% of the Group's total trade receivables as at March 31, 2007 and 2006, respectively. In order to minimise the credit risk, management has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

4. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk management objectives and policies *(continued)*

Cash flow interest rate risk

Cash flow interest rate risk arises from the potential changes in interest rates that may have adverse effects in the Group's result for the current reporting period and in future years.

The cash flow interest rate exposure for the Group is restricted to the financing cost for bank loans and interest bearing cash deposits. The Group's bank borrowings are mostly short-term and subject to floating rate. For long-term funding requirements, if any, the Group would consider adopting fixed-rate basis or interest-rate swap for minimising the cash flow interest rate risk.

(b) Fair values

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

5. SEGMENT INFORMATION

Business segments

The Group is principally engaged in the manufacture and sale of garments. Accordingly, no business segments analysis of financial information is provided.

Geographical segments

The Group's manufacture and sale of garments business is principally located in the United States of America (the "USA"), Canada, Asia and Europe and others.

The Group reports its primary segment information on geographical location of its customers and the segment information about these geographical markets is presented below:

For the year ended March 31, 2007:

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	1,993,895	30,109	140,408	111,764	2,276,176
SEGMENT RESULTS	158,950	1,944	5,311	12,684	178,889
Unallocated corporate income					26,028
Unallocated corporate expense					(49,079)
Share of results of associates	109	7	61	7	184
Profit before tax					156,022
Income tax expense					(49,910)
Profit for the year					106,112
OTHER INFORMATION					
Impairment of inventories	1,909	–	–	–	1,909

5. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of the Group's customers, as at March 31, 2007:

	USA *HK$'000*	Canada *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	456,482	7,849	34,176	24,443	522,950
Interests in associates	6,247	214	1,277	181	7,919
Unallocated corporate assets					500,976
Consolidated total assets					1,031,845
LIABILITIES					
Segment liabilities	200,450	3,036	13,977	12,689	230,152
Unallocated corporate liabilities					235,765
Consolidated total liabilities					465,917

Notes to the Consolidated Financial Statements
For the year ended March 31, 2007

5. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

For the year ended March 31, 2006:

	USA *HK$'000*	Canada *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE					
Sales of goods – external	1,723,583	24,395	130,319	96,186	1,974,483
SEGMENT RESULTS	122,655	1,134	(940)	10,624	133,473
Unallocated corporate income					23,593
Unallocated corporate expense					(39,795)
Share of results of associates	673	30	251	21	975
Profit before tax					118,246
Income tax expense					(32,828)
Profit for the year					85,418
OTHER INFORMATION					
Reversal of impairment of inventories	(802)	–	–	–	(802)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

5. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of the Group's customers, as at March 31, 2006:

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	406,358	7,184	42,681	24,388	480,611
Interests in associates	6,684	65	552	46	7,347
Unallocated corporate assets					439,395
Consolidated total assets					927,353
LIABILITIES					
Segment liabilities	199,324	2,912	13,644	13,503	229,383
Unallocated corporate liabilities					164,869
Consolidated total liabilities					394,252

In addition to the analysis by the geographical location of the Group's customers, the following is an analysis of the carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment and intangible assets**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USA	**63,868**	79,324	**2,969**	1,836
Hong Kong	**212,736**	184,815	**1,601**	4,689
People's Republic of China, other than Hong Kong (the "PRC")	**232,141**	209,080	**15,958**	13,808
Others	**14,205**	7,392	**2,994**	3,784
	522,950	480,611	**23,522**	24,117

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

6. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Rental income from properties under operating leases, net of outgoings of HK$166,000 (2006: HK$135,000)	**3,809**	3,307
Bank interest income	**3,113**	2,692
Dividend income from available-for-sale investments	**55**	–
Gain on disposal of investment property	**948**	–
Gain on disposal of available-for-sale investments	**171**	–
	8,096	5,999

7. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank borrowings and bills discounted	**5,672**	3,726
Finance leases	**64**	16
	5,736	3,742

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

8. PROFIT BEFORE TAX

	2007	2006
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Employee benefits expense, including those of directors:		
Salaries, allowances and bonus	**355,551**	321,580
Contributions to retirement benefit schemes	**7,756**	7,415
Share-based payment expense	**107**	–
Total employee benefits expense	**363,414**	328,995
Amortisation of intangible assets (included in cost of sales)	**73**	73
Amortisation of prepaid lease payments	**731**	730
Auditor's remuneration	**2,113**	1,379
Cost of inventories recognised as an expense	**1,758,179**	1,501,666
Depreciation of property, plant and equipment	**27,873**	26,982
Impairment (reversal of impairment) of inventories *(note)*	**1,909**	(802)
Loss on disposal of available-for-sale investments	**–**	16
Loss on disposal of property, plant and equipment	**198**	350
Share of tax of associates (included in share of results of associates)	**66**	185

Note: A reversal of impairment was recognised as the impaired inventories were sold during the year ended March 31, 2006.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2006: nine) directors of the Company were as follows:

2007

	Benson Tung Wah Wing HK$'000	Alan Lam Yiu On HK$'000	Raymond Tung Wai Man HK$'000	Tung Siu Wing HK$'000	Kevin Lee Kwok Bun HK$'000	Johnny Chang Tak Cheung HK$'000	Tony Chang Chung Kay HK$'000	Woo Kwong Hon HK$'000	Joseph Wong King Lam HK$'000	Robert Yau Ming Kim HK$'000	Total HK$'000
Fees	-	-	-	60	60	60	100	80	100	80	540
Other emoluments:											
Salaries and other benefits	4,550	2,461	1,485	-	936	-	-	-	-	-	9,432
Contributions to retirement benefit schemes	12	12	12	-	-	-	-	-	-	-	36
Performance related incentive payments *(note)*	-	908	960	-	-	-	-	-	-	-	1,868
Share-based payment expense	10	10	7	-	-	-	-	-	-	-	27
Total emoluments	4,572	3,391	2,464	60	996	60	100	80	100	80	11,903

2006

	Benson Tung Wah Wing HK$'000	Alan Lam Yiu On HK$'000	Raymond Tung Wai Man HK$'000	Tung Siu Wing HK$'000	Kevin Lee Kwok Bun HK$'000	Johnny Chang Tak Cheung HK$'000	Tony Chang Chung Kay HK$'000	Woo Kwong Hon HK$'000	Joseph Wong King Lam HK$'000	Total HK$'000
Fees	-	-	-	60	60	60	60	60	60	360
Other emoluments:										
Salaries and other benefits	4,751	2,383	1,436	-	936	-	-	-	-	9,506
Contributions to retirement benefit schemes	12	12	12	-	-	-	-	-	-	36
Performance related incentive payments (note)	-	731	1,070	-	-	-	-	-	-	1,801
Total emoluments	4,763	3,126	2,518	60	996	60	60	60	60	11,703

Note: The performance related incentive payment is determined by the Group's operating results, individual performance and prevailing market conditions.

No directors waived any emoluments in the years ended March 31, 2007 and 2006.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: three) were directors of the Company whose emoluments are disclosed in note 9 above. The emoluments of the remaining two (2006: two) individuals were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**8,246**	7,099
Contributions to retirement benefit schemes	**181**	83
Performance related incentive payments *(note)*	**2,032**	760
Share-based payment expense	**5**	–
	10,464	7,942

Their emoluments were within the following bands:

	Number of employees	
	2007	2006
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–

Note: The performance related incentive payment is determined by the Group's operating results, individual performance and prevailing market conditions.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

11. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Current tax:		
Hong Kong	**16,498**	15,379
PRC	**1,972**	357
Other jurisdictions	**10,869**	3,826
	29,339	19,562
Underprovision in prior years	**18,460**	9,952
	47,799	29,514
Deferred tax *(note 21)*	**2,111**	3,314
	49,910	32,828

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Two (2006: One) of the subsidiaries of the Company is subject to PRC enterprise income tax at rate with a 50% reduction during the year.

Two subsidiaries of the Company had received protective/additional profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK$1.9 million and HK$23.1 million, respectively, relating to the years of assessment 1998/99 to 2005/06, that is, for the financial years ended March 31, 1999 to 2006. The protective/additional profits tax assessment relates mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$25 million being purchased by the subsidiaries. In respect of the protective/additional profits tax assessment for the years of assessment 1998/99 to 2005/06, a provision of HK$16.5 million has been provided during the year.

In the opinion of the directors and the advice from the Group's tax advisors, the subsidiaries' income derived from their manufacturing activities in the PRC is not arising in or derived from Hong Kong, and that sufficient tax provision has been made in the accounts in this regard.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

11. INCOME TAX EXPENSE *(continued)*

In March 2007, the National People's Congress approved the PRC enterprise income tax law of the People's Republic of China (the new "EIT law"). The new EIT law unifies the enterprise income tax rate to 25% with effect from January 1, 2008. The new EIT law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profits. As at the date of these consolidated financial statements, details measures concerning these items have yet to be issued by the State Council.

The income tax expense can be reconciled to the profit before tax per the consolidated income statement as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Profit before tax	**156,022**	118,246
Tax at the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**27,304**	20,693
Tax effect of expenses not deductible for tax purpose	**1,549**	1,207
Tax effect of income not taxable for tax purpose	**(4,507)**	(7,476)
Tax effect of share of results of associates	**(32)**	(171)
Underprovision in prior years	**18,460**	9,952
Tax effect of tax losses not recognised	**4,217**	8,390
Utilisation of tax losses previously not recognised	**(3,211)**	(716)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,130**	949
Income tax expense	**49,910**	32,828

Details of deferred tax for the year are set out in note 21.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

12. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim dividends paid in respect of year ended:		
– March 31, 2007 (HK6.0 cents per share)	**21,128**	–
– March 31, 2006 (HK5.5 cents per share)	**–**	19,368
Final dividends paid in respect of year ended:		
– March 31, 2006 (HK11.5 cents per share)	**40,496**	–
– March 31, 2005 (HK14.0 cents per share)	**–**	49,299
	61,624	68,667

The final dividend of HK12.5 cents per share for the year ended March 31, 2007 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	89,913	72,393

	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	**352,137,298**	352,137,298
Effect of dilutive potential ordinary shares in respect of share options	**576,532**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**352,713,830**	

For the year ended March 31, 2006, no diluted earnings per share was presented because there were no dilutive potential ordinary shares in issue for that year.

14. INVESTMENT PROPERTIES

	THE GROUP *HK$'000*
FAIR VALUE	
At April 1, 2005	35,664
Transferred from prepaid lease payments and buildings	2,294
Increase in fair value recognised in the consolidated income statement	17,594
At March 31, 2006	55,552
Disposal	(5,200)
Increase in fair value recognised in the consolidated income statement	17,932
At March 31, 2007	**68,284**

The fair value of the Group's investment properties at March 31, 2007 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of the Group's investment properties shown above comprises:

	2007 ***HK$'000***	2006 *HK$'000*
Land in Hong Kong held under medium-term leases	**65,564**	52,992
Land in the PRC held under medium-term land use rights	**2,720**	2,560
	68,284	55,552

Notes to the Consolidated Financial Statements
For the year ended March 31, 2007

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements, plant and machinery, furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At April 1, 2005	3,588	101,762	239,974	5,488	350,812
Exchange adjustments	18	703	3,037	245	4,003
Additions	–	860	22,632	625	24,117
Transferred to investment properties	–	(1,385)	–	–	(1,385)
Disposals	–	–	(5,262)	(483)	(5,745)
At March 31, 2006	3,606	101,940	260,381	5,875	371,802
Exchange adjustments	–	1,161	5,450	172	6,783
Additions	–	–	21,920	1,602	23,522
Disposals	–	–	(10,614)	(486)	(11,100)
At March 31, 2007	**3,606**	**103,101**	**277,137**	**7,163**	**391,007**
DEPRECIATION					
At April 1, 2005	–	32,368	177,091	3,859	213,318
Exchange adjustments	–	39	1,817	31	1,887
Provided for the year	–	3,899	22,497	586	26,982
Transferred to investment properties	–	(10)	–	–	(10)
Eliminated on disposals	–	–	(4,763)	(469)	(5,232)
At March 31, 2006	–	36,296	196,642	4,007	236,945
Exchange adjustments	–	87	4,151	99	4,337
Provided for the year	–	3,958	23,185	730	27,873
Eliminated on disposals	–	–	(10,085)	(445)	(10,530)
At March 31, 2007	**–**	**40,341**	**213,893**	**4,391**	**258,625**
CARRYING VALUES					
At March 31, 2007	**3,606**	**62,760**	**63,244**	**2,772**	**132,382**
At March 31, 2006	3,606	65,644	63,739	1,868	134,857

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The carrying value of the Group's furniture and fixtures and motor vehicles includes amounts of HK$378,000 and HK$279,000 (2006: HK$290,000 and HK$123,000) in respect of assets held under finance leases, respectively.

The carrying value of the Group's land and buildings as at the balance sheet date comprises:

	2007	2006
	HK$'000	*HK$'000*
Building in Hong Kong held under medium-term leases	**5,732**	6,460
Building in the PRC held under medium-term land use rights	**46,544**	48,327
Building in Malaysia held under medium-term leases	**1,897**	1,785
Freehold land and buildings in Thailand	**12,193**	12,678
	66,366	69,250

Notes to the Consolidated Financial Statements
For the year ended March 31, 2007

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements, plant and machinery, furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At April 1, 2005	7,710	710	8,420
Additions	3,154	–	3,154
Disposals	(77)	(355)	(432)
At March 31, 2006	10,787	355	11,142
Additions	116	456	572
Disposals	(1,113)	(355)	(1,468)
At March 31, 2007	**9,790**	**456**	**10,246**
DEPRECIATION			
At April 1, 2005	6,989	580	7,569
Provided for the year	783	77	860
Eliminated on disposals	(33)	(302)	(335)
At March 31, 2006	7,739	355	8,094
Provided for the year	826	30	856
Eliminated on disposals	(1,099)	(355)	(1,454)
At March 31, 2007	**7,466**	**30**	**7,496**
CARRYING VALUES			
At March 31, 2007	**2,324**	**426**	**2,750**
At March 31, 2006	3,048	–	3,048

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Buildings	4%
Leasehold improvements	Over the shorter of the term of the lease, or five years
Plant and machinery, furniture and fixtures	12.5% – 20%
Motor vehicles	12.5% – 20%

Notes to the Consolidated Financial Statements

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16. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise leasehold land held:		
– under medium-term leases in Hong Kong	**13,307**	13,628
– under medium-term leases overseas	**566**	544
– under medium-term land use rights in the PRC	**14,088**	14,486
	27,961	28,658
Analysed for reporting purposes as:		
Non-current assets	**27,230**	27,928
Current assets	**731**	730
	27,961	28,658

Notes to the Consolidated Financial Statements

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17. INTANGIBLE ASSETS

	Trademark *HK$'000*
THE GROUP	
COST	
At April 1, 2005, March 31, 2006 and March 31, 2007	774
AMORTISATION	
At April 1, 2005	229
Exchange adjustments	1
Provided for the year	73
At March 31, 2006	303
Provided for the year	73
At March 31, 2007	**376**
CARRYING VALUE	
At March 31, 2007	**398**
At March 31, 2006	471

The trademark was acquired from a third party.

The trademark has a definite useful life and is amortised on a straight-line basis over 10 years.

Notes to the Consolidated Financial Statements

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18. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**117,624**	115,332

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

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital *(HK$ unless otherwise indicated)*	Class of shares held	Proportion of nominal value of issued share capital/ common stock/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Do Do Fashion Limited	Hong Kong *(a)*	720,000	Ordinary	100	–	Garment manufacture
Dorcash Industrial Limited	Hong Kong *(a)*	20	Ordinary	100	–	Property holding
Fashiontex Sdn. Bhd.	Malaysia *(a)*	M$3,000,000	Ordinary	100	–	Garment manufacture
Fortune Side Limited	Hong Kong *(a)*	1	Ordinary	100	–	Garment manufacture
Golden Fountain Industrial Company Limited	Hong Kong *(a)*	500,000	Ordinary	100	–	Property holding
Golden Will Fashions Limited	Hong Kong *(a)*	10,000	Ordinary	–	60	Garment trading
Golden Will Fashions Phils., Inc.	The Philippines *(a)*	Peso30,000,000	Ordinary	–	60	Garment manufacture
Sing Yang (Overseas) Limited	Hong Kong* *(a)*	100,000	Ordinary	100	–	Garment manufacture
Sing Yang Services Limited	Hong Kong *(a)*	100,000	Ordinary	100	–	Management services
Sing Yang Trading Limited	Hong Kong *(a)*	100,000	Ordinary	100	–	Garment trading
THL Inc.	USA *(a)*	US$10,000	Ordinary	–	100	Garment trading
Tung Thai Fashions Limited	Thailand *(a)*	Baht100,000,000	Ordinary	100	–	Garment manufacture
Tungtex Trading Company Limited	Hong Kong *(a)*	6,000,000	Ordinary	100	–	Garment manufacture
Tungtex (UK) Limited	United Kingdom *(a)*	£10,000	Ordinary	100	–	Provision of agency services in garments
Tungtex (U.S.A.) Inc.	USA *(a)*	US$838,802	Ordinary	100	–	Investment holding
West Pacific Enterprises Corporation	USA *(a)*	US$90,000	Ordinary	–	100	Garment design and trading
Winnertex Fashions Limited	Hong Kong *(a)*	100	Ordinary	–	75	Garment manufacture
Yellow River, Inc.	USA *(a)*	US$80,000	Ordinary	–	51	Garment design and trading
中山同得仕絲綢服裝有限公司	PRC *(b)*	37,800,000	Registered capital	–	90	Garment manufacture
華裳服裝(深圳)有限公司	PRC *(c)*	8,000,000	Registered capital	–	100	Garment manufacture
深圳百多爾時裝有限公司	PRC *(c)*	RMB2,500,000	Registered capital	–	100	Garment manufacture
同得仕(杭州)時裝有限公司	PRC *(c)*	US$5,000,000	Registered capital	100	–	Garment manufacture
杭州金譽時裝有限公司	PRC *(c)*	US$1,000,000	Registered capital	–	60	Garment manufacture

* Sing Yang (Overseas) Limited operates in the PRC.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes:

(a) These companies are private limited companies.

(b) This company is a sino-foreign equity joint venture.

(c) These companies are wholly foreign owned enterprises.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the list above contains only the particulars of those subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

19. INTERESTS IN ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
THE GROUP		
Cost of investment in associates	**10,425**	10,425
Reserves	**(2,506)**	(3,078)
	7,919	7,347
THE COMPANY		
Capital contribution, at cost	**1,686**	1,686

Particulars of the Group's unlisted associates at March 31, 2007, which are registered and operated in the PRC as sino-foreign equity enterprises, are as follows:

Name of associate	**Class of shares held**	**Proportion of registered capital held by the Company Directly %**	**Indirectly %**	**Principal activity**
番禺市金源時裝有限公司	Registered capital	–	30	Garment manufacture
嵊州同泰絲服飾有限公司	Registered capital	30	–	Garment manufacture
德清華高時裝有限公司	Registered capital	–	25	Garment manufacture

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

19. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2007	2006
	HK$'000	*HK$'000*
Total assets	**109,364**	97,445
Total liabilities	**(70,656)**	(60,880)
Net assets	**38,708**	36,565
The Group's share of net assets of associates	**7,919**	7,347
Revenue	**137,229**	149,121
Profit for the year	**880**	4,068
The Group's share of results of associates for the year	**184**	975

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments of the Group and of the Company at March 31, 2007 comprise:

	2007	2006
	HK$'000	*HK$'000*
Non-current equity securities:		
Listed overseas	**–**	300
Unlisted	**–**	1,130
	–	1,430

All available-for-sale investments were disposed of during the year.

21. DEFERRED TAXATION

THE GROUP

The major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting years are as follows:

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At March 31, 2005	(2,680)	(6,566)	1,056	365	(7,825)
Charged to consolidated income statement for the year	(3,032)	(1)	(203)	(78)	(3,314)
At March 31, 2006	(5,712)	(6,567)	853	287	(11,139)
(Charged) credited to consolidated income statement for the year	(2,200)	287	(353)	155	(2,111)
At March 31, 2007	**(7,912)**	**(6,280)**	**500**	**442**	**(13,250)**

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

	2007 ***HK$'000***	2006 *HK$'000*
Deferred tax assets	**1,031**	861
Deferred tax liabilities	**(14,281)**	(12,000)
	(13,250)	(11,139)

At March 31, 2007, the Group had unused tax losses of approximately HK$158 million (2006: HK$154 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$3 million (2006: HK$5 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$155 million (2006: HK$149 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$99 million (2006: HK$84 million) that can be carried forward for five years and losses of HK$42 million (2006: HK$44 million) that can be carried forward for twenty years. Other losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

21. DEFERRED TAXATION *(continued)*

THE COMPANY

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
At April 1, 2005	203	200	(26)	377
(Charged) credited to income statement for the year	(154)	(200)	13	(341)
At March 31, 2006	49	–	(13)	36
(Charged) credited to income statement for the year	(30)	–	13	(17)
At March 31, 2007	**19**	**–**	**–**	**19**

22. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**84,136**	76,452
Work in progress	**79,880**	79,996
Finished goods	**67,783**	81,510
	231,799	237,958

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

23. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers, with a significant portion of 30 days. Included in trade and other receivables are trade receivables, mainly denominated in United States Dollars, with the following aged analysis:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Up to 30 days	**208,437**	191,863
31 – 60 days	**55,189**	43,201
61 – 90 days	**21,211**	6,853
More than 90 days	**1,083**	–
	285,920	241,917

24. PLEDGED BANK DEPOSITS

The amount represents deposits which have been used as collateral for letter of guarantee issued by an overseas bank for the consumption of electricity by the Group.

The deposits carried fixed interest at 2.85% (2006: 0.5% to 1.85%) per annum.

25. BANK BALANCES AND CASH

Bank balances and cash of the Group and of the Company comprises bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rates and are with maturity of three months or less. The bank deposits carried fixed interest rates ranging from 4.6% to 5.2% (2006: 4.2% to 4.6%) per annum.

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26. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aged analysis:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Up to 30 days	**113,985**	125,950
31 – 60 days	**87,962**	65,218
61 – 90 days	**14,015**	25,081
More than 90 days	**13,541**	9,536
	229,503	225,785

27. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**366**	169	**305**	147
More than one year but not exceeding two years	**311**	99	**258**	83
More than two years but not exceeding three years	**98**	44	**86**	36
	775	312		
Less: Future finance charges	**(126)**	(46)		
Present value of lease obligations	**649**	266	**649**	266
Less: Amount due within one year shown under current liabilities			**(305)**	(147)
Amount due after one year			**344**	119

Notes to the Consolidated Financial Statements

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27. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

It is the Group's policy to lease certain of its furniture and fixtures and motor vehicles under finance leases. The average lease term is three years. For the year ended March 31, 2007, the effective borrowing rate was 8.39% (2006: 7.7%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

28. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Floating-rate borrowings:				
Bank overdrafts	**181**	5,032	**181**	129
Trust receipt loans	**39,230**	1,321	**–**	–
Bills discounted with full recourse	**19,755**	45,414	**–**	–
Bank loan	**27,020**	–	**25,000**	–
Fixed-rate borrowings:				
Bank loan	**–**	2,400	**–**	–
	86,186	54,167	**25,181**	129
Analysed as:				
Secured	**86,186**	51,767	**25,181**	129
Unsecured	**–**	2,400	**–**	–
	86,186	54,167	**25,181**	129

All the bank borrowings at the balance sheet date are repayable within one year or upon demand and are included under current liabilities. The outstanding floating-rate borrowings as at the balance sheet date bear interest at prevailing market rates, ranging from Bank's Cost of Funds + 0.5% to LIBOR + 0.85% (2006: LIBOR + 0.5% to LIBOR + 0.85%) per annum. At March 31, 2006, the fixed-rate borrowings bear interest at 5.22% per annum.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

28. BANK BORROWINGS *(continued)*

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

	US$'000
At March 31, 2007	**7,444**
At March 31, 2006	6,049

29. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.20 each		
At April 1, 2005, March 31, 2006 and 2007	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.20 each		
At April 1, 2005, March 31, 2006 and 2007	352,137,298	70,428

30. SHARE-BASED PAYMENT TRANSACTIONS

The share option scheme (the "Scheme") of the Company was adopted pursuant to a resolution passed on September 5, 2006 for the primary purpose of attracting and retaining suitable and high-calibre personnel, incentivising them to contribute to the future development and growth of the Group and any Invested Entity by sharing in the equity interests of the Company, and will expire on September 4, 2016. Under the Scheme, the board of directors of the Company may grant options to any full time employee including any executive director of the Company, its subsidiaries or any Invested Entity ("Participants").

At March 31, 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,800,000, representing 4.49% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 5% of the shares of the Company in issue. The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

The Scheme shall be valid and effective for a period of ten years. The Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Board may specify any vesting period.

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

An offer shall remain open for acceptance by the Participant concerned for a period of twenty-eight days from the offer date. The exercise price in respect of any particular option shall be such price as determined by the board of directors at its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The following table discloses the movement of the Scheme held by the directors and employees of the Company or the Group and movements in such holdings during the year:

Category	Date of grant	Vesting period	Exercisable period	Exercisable price per share *HK$*	Number of share options granted during the year and at March 31, 2007
Directors	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	4,000,000
Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	11,800,000
					15,800,000

The options granted to the above directors and employees are because of their services to the Group.

The consideration per grant is HK$1. Total consideration received by the Group during the year from the above directors and employees for taking up the options granted amounted to HK$40.

During the year, options were granted on November 9, 2006. The estimated fair value of the options granted is HK$823,000.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2007
Weighted average share price	**HK$1.8000**
Exercise price	**HK$1.8000**
Expected volatility	**17.45%**
Expected life	**8 years**
Risk-free rate	**3.84%**
Expected dividend yield	**9.44%**
Fair value per option	**HK$0.0521**

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 52 weeks. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non transferability, exercise restrictions and behavioral considerations.

The Company recognised the total expense of HK$107,000 for the year ended March 31, 2007 in relation to share options granted by the Company, of which HK$80,000 was related to options granted to the Group's employees which has been included in staff costs as set out in note 8, and the remaining balance of HK$27,000 was related to options granted to directors which has been included in director's remuneration are set out in note 9.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

31. RESERVES

	Share premium account	Capital redemption reserve	Share option reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY					
At April 1, 2005	84,880	3,848	–	154,658	243,386
Profit for the year	–	–	–	81,352	81,352
Dividends *(note 12)*	–	–	–	(68,667)	(68,667)
At March 31, 2006	84,880	3,848	–	167,343	256,071
Profit for the year	–	–	–	52,716	52,716
Dividends *(note 12)*	–	–	–	(61,624)	(61,624)
Share-based payments	–	–	107	–	107
At March 31, 2007	**84,880**	**3,848**	**107**	**158,435**	**247,270**

32. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease contracts of HK$694,000 (2006: HK$134,000).

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$21,206,000 (2006: HK$20,422,000) in respect of rented premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises, which fall due as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**18,868**	16,846
In second to fifth year inclusive	**32,449**	35,438
Over five years	**16,775**	10,556
	68,092	62,840

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

33. OPERATING LEASES *(continued)*

The Group as lessee *(continued)*

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and retail shops. Leases are negotiated for an average term of four years and rentals are fixed.

The Group as lessor

Property rental income earned during the year was HK$3,975,000 (2006: HK$3,442,000). The properties held have committed tenants for an average term of one year.

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**1,621**	2,940
In second to fifth year inclusive	**220**	2,150
	1,841	5,090

34. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company had capital expenditure committed as follows:

	THE GROUP		**THE COMPANY**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**144**	221	**144**	–
Capital investment contracted for but not provided in the financial statements in respect of capital contribution in a subsidiary	**–**	–	**–**	2,250

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

35. CONTINGENT LIABILITIES

At March 31, 2007, the Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of HK$186 million (2006: HK$158 million) and has also issued unlimited guarantees to banks to secure banking facilities granted to certain subsidiaries. The extent of the above facilities utilised by the subsidiaries at March 31, 2007 amounted to HK$89 million (2006: HK$54 million).

36. PLEDGE OF ASSETS

At the balance sheet date, the following assets have been pledged to banks to secure general banking facilities granted to the Group:

	2007	2006
	HK$'000	*HK$'000*
Prepaid lease payments	**11,873**	12,009
Investment properties	**15,254**	11,000
Buildings	**3,920**	4,670
Pledged bank deposits	**262**	235

37. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% or HK$1,000 of the relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees in the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

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

The total cost charged to the consolidated income statement of HK$7,756,000 (2006: HK$7,415,000) represents contributions payable to these schemes by the Group in respect of the current accounting year.

38. CONNECTED AND RELATED PARTIES DISCLOSURES

(a) During the year, details of transactions with connected persons, as defined in Rule 14A.11 of the Listing Rules, and related parties are set out as follows:

(i) Connected transactions

	2007	2006
	HK$'000	*HK$'000*
Fabric print and artwork services from Fine Print Studio Inc. ("Fine Print")	**3,526**	3,627
Rental income received from Fine Print	**293**	293

Fine Print is wholly owned by Mr. Peter Kan Mui, a minority shareholder of a subsidiary, and his associates (as defined in the Listing Rules).

(ii) Related party transactions

	2007	2006
	HK$'000	*HK$'000*
Purchases of raw materials and finished goods from the Group's associate	**34,896**	33,360
Sales of finished goods to the Group's associate	**1,262**	–

(b) The Group and the Company have the following balances with related parties at the balance sheet date:

The Group

(i) Amounts due from associates of HK$5,231,000 (2006: HK$735,000) which are unsecured, interest-free and repayable on demand.

(ii) Amount due to an associate of HK$3,332,000 at March 31, 2006 which represented trading balance aged within 60 days was unsecured and interest-free. Amount was fully settled during the year.

38. CONNECTED AND RELATED PARTIES DISCLOSURES *(continued)*

(b) *(continued)*

The Company

(i) Amounts due from subsidiaries of HK$231,706,000 (2006: HK$242,122,000) which are unsecured and repayable on demand. Included in the amount is a balance of HK$44,303,000 (2006: HK$37,546,000) which bears interest at Hong Kong Prime Rate and the remaining balances are interest-free.

(ii) Amounts due to subsidiaries of HK$10,536,000 (2006: HK$33,032,000) which are unsecured and repayable on demand. At March 31, 2006, included in the amount was a balance of HK$6,986,000 which bore interest at 3% per annum and the remaining balances were interest-free. At March 31, 2007, the balance of HK$10,536,000 is interest-free.

(c) Compensation of key management personnel

The remuneration of key management personnel, including amounts paid to the Company's executive directors as disclosed in note 9 and certain highest paid employees as disclosed in note 10, during the year was as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	**20,643**	18,230
Post-employment benefits *(note)*	**217**	119
Share-based payment expense	**32**	–
	20,892	18,349

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in note 37.

The emoluments are determined, among other things, by reference to their duties and responsibilities, their experience for the industry, prevailing market conditions and the Group's performance.

Financial Summary

RESULTS

	For the year ended March 31,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	1,540,013	1,745,660	1,962,598	1,974,483	**2,276,176**
Profit before tax	117,643	128,429	98,056	118,246	**156,022**
Profit for the year attributable to equity holders of the Company	93,106	95,540	71,209	72,393	**89,913**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
Earnings per share					
– Basic	26.4	27.1	20.2	20.6	25.5
– Diluted	N/A	N/A	N/A	N/A	25.5

ASSETS AND LIABILITIES

	As at March 31,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	903,085	930,705	855,033	927,353	**1,031,845**
Total liabilities	(292,453)	(293,006)	(319,386)	(394,252)	**(465,917)**
	610,632	637,699	535,647	533,101	**565,928**
Equity attributable to equity holders of the Company	551,783	573,618	470,813	477,059	**507,201**
Minority interests	58,849	64,081	64,834	56,042	**58,727**
	610,632	637,699	535,647	533,101	**565,928**

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