2008
annual report 年報

u-right international holdings limited
(incorporated in bermuda with limited liability)

佑威國際控股有限公司
(於百慕達註冊成立之有限公司)

股份代號 stock code: 627


*u

u-right international holdings limited annual report 2008

contents

corporate information

Executive Directors
Mr. Leung Ngok (Chairman)   Mr. Leung Shing (Deputy Chairman)   Mr. Leung Siu Kan, Stephen

Independent Non-Executive Directors
Mr. Jia Luqiao   Mr. Yang Dong Hui   Mr. Wong Kai Cheong

Audit Committee
Mr. Jia Luqiao   Mr. Yang Dong Hui   Mr. Wong Kai Cheong

Remuneration Committee
Mr. Leung Ngok   Mr. Jia Luqiao   Mr. Wong Kai Cheong

Authorised Representatives
Mr. Leung Ngok   Mr. Ng Chi Yin

Company Secretary
Mr. Ng Chi Yin

Qualified Accountant
Mr. Ng Chi Yin

Registered Office
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business
32nd Floor, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong

Auditors
RSM Nelson Wheeler Certified Public Accountants
29th Floor, Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Hong Kong

Legal Advisors
Hong Kong : Sidley Austin   Bermuda : Conyers Dill & Pearman

Principal Bankers
ABN AMRO Bank N.V.   Bangkok Bank Public Co. Ltd.   The Bank of East Asia, Limited
CITIC Ka Wah Bank Limited   Deutsche Bank   Hang Seng Bank
Industrial and Commercial Bank of China Group   Shanghai Commercial Bank Limited   Wells Fargo Bank N.A.

Principal Registrars & Transfer Office
The Bank of Bermuda Limited
Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda

Branch Registrars & Transfer Office in Hong Kong
Tricor Tengis Limited
26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Stock Code
627

Company's Website
www.u-right.com

5 years financial highlights

Turnover

08	2,079,712
07	1,774,007
06	1,343,852
05	913,844
04	739,677

Total Assets

08	2,810,397
07	2,223,454
06	1,797,830
05	1,223,090
04	919,485

Share Capital and Reserves

08	1,627,554
07	1,244,667
06	1,026,095
05	720,820
04	562,164

Gross Profit

08	452,292
07	410,339
06	328,363
05	299,351
04	244,755

for the year ended 31 march (HK$'000)

chairman's statement

Despite Hong Kong 's volatile economy last year, the Group benefitted from the continuous economic growth in the Mainland, which became the key driving force for the Group's business expansion. During the year under review, the Group recorded a turnover of HK$2,079,712,000, representing an increase of 17% as compared with that in the previous year. The profit attributable to the equity holders was HK$61,367,000. Basic earnings per share was HK$1.81 cents.

Following the US and local economic slowdown and the cooling of the overheated economy by the austerity measures in the Mainland, the Group will take cautious yet practical approach in continuing to develop a diversified garment business with innovative textile technology so as to withstand the risks brought about by the volatile market.

Multi-brand Garments Sales Platform to Explore a Market with Expansion Potential

With 25 years of solid experience in managing a garment business, the Group understands that amid the vigorous competition within the fashion garments markets in the Mainland and Hong Kong, and together with the recent economic slowdown in Hong Kong as well as rising production costs, it is essential to be innovative and able to seek market niches to stand out from the rest. Being insightful, the Group recognised that brand diversification is the trend of the market, in which the younger generation emphasises freedom and pursues apparels that can show personal style. It therefore formulated its development strategy by setting up a "Multi-brand garment sales platform". The Group sees that with the rising living standard in the Mainland, and the requirement on fashion garments by the new generation has undergone a rudimental change, for they are no longer content with fashion garments provided by a single brand, but pursue a kaleidoscope of fashion for mix and match as well as personal style which allow them to express their creativity. The Group anchors its focus on the development opportunities in second- and third-tier youth garment market in the Mainland, opening a number of multi-brand stores, SEVENDAYS, in major cities such as Beijing and Shanghai in the Mainland since two years ago. SEVENDAYS puts together all the most fashionable garment brands in an ideal shopping location for trendy fashions for the youth, providing a platform for them to show their personal styles. The Group is dedicated to offer a variety of products. Apart from being distributors for a number of brand-name garments and creating its own brand PEZZX, in the future, it also plans to enhance development of products and expand sales networks through joint ventures and cooperation so as to meet the demand of trendy young consumers. In addition, for U-RIGHT, a self-owned label of the Group, steady growth has been maintained in the casual garment market throughout the years, laying a foundation for long-term stable revenues, which has been an encouraging achievement for all of us. Based on the success of the U-RIGHT brand, the Group has been active in expanding the brand coverage in recent years, including the kids line U-JUNIOR and the U-ZONE fashion counter which is in joint efforts with Jusco. The designer brand JD has also been introduced and put together with U-RIGHT for the brand mixing and matching store U-MIX, which provides a wider range of choices for customers, and in turn, reinforcing the leading position of the U-RIGHT Group among casual garment brands.

Innovative Textile Technology to Secure Source of Revenue

The Group endeavors to be a pioneer in the industry by introducing creativity and multi-functional textile products to consumers. In respect of Texnology Nano's business, the Group continues to gain support from both customers and the market as the application of the technology matures. The Group will continue to expand the scope of this business. Currently the Group has identified a few Mainland textile and dyeing enterprises as targets of acquisition or partnership and strives to work with them together in building a nanotechnology textile products processing base so as to raise processing capacity to meet the demand in relation to upstream textile products. In addition, the Group will further develop feather fibre textile technology. Products manufactured with such technology were widely accepted by the market. The Group is positive about its development prospect and is planning to increase the types of products with the application of this technology, further widening product diversification. The Group is also considering directly participating in the different stages of development of feather fibre textile technology, with an aim to popularise such technology. The success of Texnology Nano's business serves as a boost in confidence to the Group in applying feather fibre textile technology in various levels of textile products, which brings convenience and improvement to living standards. This product is expected to be another growth impetus for the Group.

Acknowledgement

Last but not least, I would like to take this opportunity to thank all our business partners, customers, suppliers and shareholders for their support and trust in the past year, and express my gratitude to the management and all the staff for their remarkable contribution to the U-RIGHT Group.

Leung Ngok
Chairman
Hong Kong, 8 August 2008

business review

Operating Result

The Group recorded a turnover of HK$2,079,712,000 for the year ended 31 March 2008, representing an increase of 17% from HK$1,774,007,000 in the previous year. The Group's profit attributable to equity holders of the Company was HK$61,367,000, a decrease of 50% as compared to HK$123,092,000 in the previous year. Basic earnings per share was HK1.81 cents for the year ended 31 March 2008.

Turnover

The fashion garments business recorded a turnover of HK$1,597,944,000 and accounted for 77% of the Group's total turnover. This represented an increase of 22% as compared to HK$1,310,760,000 in the previous year. The Texnology Nano business recorded a turnover of HK$481,768,000 and accounted for 23% of the Group's total turnover. This represented an increase of 4% as compared to HK$463,247,000 in the previous year.

Gross Profit

During the year under review, the Group recorded a gross profit of HK$452,292,000, representing an increase of 10% from HK$410,339,000 in the previous year, whilst gross profit margin decreased to 21.7% from 23.1% in the previous year. The drop in gross profit margin was attributable to the intense competition in the nano-textile markets, resulting in the Group terminating the charging of license fees. Moreover, the greater increase in the lower margin trading business has also resulted in overall drop in gross profit margin.

Promotion, Selling and Distribution Costs

During the year under review, as the beneficial effects of the Individual Visit Scheme implemented by China are emerging, the Group strived to entrench U-RIGHT's brand awareness amongst Mainland Chinese as a "Major Fashion Brand of Hong Kong", reinforcing their ability to differentiate between U-RIGHT and other domestic casual fashion brands in China. In addition, as an international metropolis, Hong Kong attracts tens of millions of visitors annually. U-RIGHT's comprehensive sales network will enhance its visibility toward these visitors, and paving the way for further developing its business in the overseas markets. In order to establish a sizable sales network of U-RIGHT in Hong Kong, the Group increased the U-RIGHT brand outlets to 95 from 64 in the previous year. Hence, the Group's promotion, selling and distribution costs increased to HK$223,636,000, representing an increase of 57% as compared to HK$142,820,000 in the previous year. Nevertheless, the Group's brand enhancement policy has brought some initial success, with tightening discounts and increasing selling prices, and U-RIGHT brand's revenue contribution is expected to continue to increase.

Writedown on Valuations of Non-Current Assets

With the increased awareness of environmental protection issues by the Chinese government, national environmental protection policies had been simultaneously tightened since the middle of the year. As such, the Group's expansion strategies had also been adjusting accordingly, departing from the originally planned construction of a nano-technology processing plant for upstream textile products. This adjusted strategy had rendered a portion of nano-processing equipment purchased a few years ago temporarily not able to generate any expected economic benefits. Hence, the Group had decided to writedown an amount of HK$36,200,000 to the value of these equipment.

On the other hand, a jointly controlled entity which is mainly to provide research and development on the Group's nano-processing technology, as well as the overseas marketing of such technology, had not met the performance expectation of the Group's management in the area of overseas business after years of investment. To better utilize resources and save costs vis-à-vis future investment returns, the Group had decided to focus on promoting the business of nano-processing for textile products in China and hence written down the investment value of the jointly controlled entity by HK$45,000,000.

The management considers the above prudent writedowns will not have any adverse effects on the Group's future business development and returns despite the decrease in profit of the year.

Fashion Garments Business
The PRC

Continued strong growth of the China economy has stimulated people's desire for consumer spending. As the effects of the Group's brand enhancement policies are manifesting, U-RIGHT brand has enjoyed an increasing popularity in tier two and tier three areas in China, resulting in a more effective development and network expansion of its franchising business. Furthermore, the Group has implemented cooperation projects with strategic partners, such as setting up U-RIGHT brand specialty areas and counters in ITAT department stores in China, as well as selling a brand new medium to high end casual wear "U-ZONE" brand in JUSCO department stores in China, hence further strengthening the Group's overall sales network of casual wear. As for trendy fashion wear, SEVENDAYS has firmly established its business operating model after two years of operations, and gradually becoming a trendy fashion accessories entrepot in tier one cities of China. New generation youth in China choose SEVENDAYS as their platform to source the most trendy culture fashion accessories, creating their unique taste of dressing and character. Focusing on present day youth mentality, SEVENDAYS periodically changes its collection of various trendy fashion wear and accessories, including its own brand PEZZX, and establishing a new hang-out shopping venue for the new generation. During the year under review, the Group's fashion garments retail and distribution business in the PRC recorded a total turnover of HK$657,552,000, representing an increase of 19% from HK$554,881,000 in the previous year. The turnover accounted for 41% of the Group's fashion garments business. As at the financial year end, the Group had 516 outlets in China.

Hong Kong

Under the pressure of increasing rental and salary expenses, the Group took a pragmatic and cautious approach to counter the increases in costs through judicious choice of sites for outlets and control of salary increase, with the aim of maximizing cost efficiency, mitigating the pressures of increasing costs. Furthermore, in order for the Group to strengthen U-RIGHT's image in China as a "Major Fashion Brand of Hong Kong", it proactively expanded U-RIGHT's sales network to increase market share and enhance brand awareness. In addition, with a strengthened U-RIGHT sales network, the Group opened a brand-matching shop U-MIX last year selling U-RIGHT products as well as distributing a Hong Kong designed fashion brand "JD" products. This was a breakthrough to its traditional single brand business model. Furthermore, the brand new medium to high end casual fashion "U-ZONE" brand being sold in Hong Kong JUSCO department stores, while providing additional choices for consumers, has achieved remarkable results. During the year under review, fashion garments retail business in Hong Kong recorded a turnover of HK$289,934,000, representing an increase of 51% from HK$191,675,000 in the previous year. The turnover accounted for 18% of the Group's total turnover of fashion garments business. As at the financial year end, the Group had 95 outlets in Hong Kong.

Trading business

Since the beginning of the year, China has adjusted its foreign trade policies from encouraging fast growth in the past to stable growth at present, tax rebates have been reduced, and the Renminbi has been appreciating. The Group has closely followed national policies, adjusting its own export trading strategies and adopting a prudent approach to this business segment. During the year under review, the fashion trading business recorded a turnover of HK$650,458,000, representing an increase of 15% from HK$564,204,000 in the previous year. This accounted for 41% of the Group's total turnover of fashion garments business.

Innovative Textile Technology

Texnology Nano Business

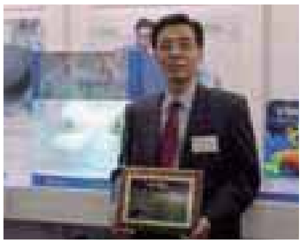
During the year under review, amidst the increasing popularity and demand of nano-textile products, Texnology Nano business continued to gain support from customers and the market at large. The Group has been proactively conducting feasibility studies on increase of processing capacity. Since the middle of the year, environmental policies were tightened in China as the Chinese government increases its awareness on environmental issues. As such, the Group's strategies had also been adjusting accordingly, terminating the construction of a new up-stream nano textile product processing facility in Yixin City, Jiangsu Province of China. Nevertheless, the Group has now identified certain textile dyeing enterprises for either acquistion or co-operation, so as to speedily establish a nano textile product processing base to meet market demand for up-stream textile products.

Feather-fibre Textile Technology

Benefiting from the cold winter from Christmas to Chinese New Year holidays during the year, the Group's lightweight, warm and thin Micro-feather products made with feather-fibre technology were warmly received by consumers in both China and Hong Kong. With record breaking sales volume, Micro-feather products became one of the most popular winter garments in Hong Kong and China, leaving a long lasting impression amongst consumers with this new high-tech textile technology.

Awards for Excellence



2007 The Group was awarded the Outstanding Hong Kong Enterprise (「香港傑出企業」) award by renowned financial magazine "Economic Digest".

The Group was awarded the Prime Awards for the Best Brand Enterprise in Greater China in "Fashion Retailer Category" (「大中華服飾零售品牌」) by the Prime Communications Limited and support by Hong Kong Brand Development Council.

The Group was awarded the "Certificate of New High Tech Enterprise" (「高新技術企業認定証書」) by the Science and Technology Office of Guangdong Province (廣東省科學技術廳) in recognition of the Group's past achievements to add value to traditional textile products with new high-tech textile technologies.

The Group was awarded the "Famous Brand in Guangdong Province" (「廣東省名牌產品」) by the Quality and Technology Supervisory Bureau of Guangdong Province (廣東省質量技術監督局) in recognition of the achievements of U-RIGHT brand in China.

2003 The Group was the first local clothing retail chain shop awarded the Certificate of Hong Kong Q-mark Service Scheme by the Hong Kong Q-mark Council of the Federation of Hong Kong Industries.

2002 The NANOECO collection of the Group was awarded the Certificate of Merit in Consumer Product Design by the Federation of Hong Kong Industries in the 2002 Hong Kong Awards for Industry, thus established a milestone for the operating concept of "Creative Living with Technology" of the Group.

financial review

Liquidity, Financial Resources and Capital Structure

The Group applies sound and flexible financial management, and has financed its business development by combination of internal resources, equity funding and bank borrowings. During the year under review, the Group issued a 3-year convertible note and warrants with net proceeds of HK$21,800,000 to Deutsche Bank AG. In addition, the Group also raised net proceeds of approximately HK$140,000,000 through placement of shares. These funding activities provided the Group with adequate general working capital to meet its needs.

During the year, the Group's liquidity and financial resources position remained sound. As at 31 March 2008, the Group's net current assets amounted to approximately HK$807,558,000 while the current ratio maintained at 2. The Group's cash and bank balances amounted to approximately HK$439,348,000 (2007: HK$549,182,000).

As at 31 March 2008, the Group had utilized banking facilities amounting to HK$890,515,000. The Group's borrowings net of cash and bank balances amounted to HK$451,167,000 (net borrowings) while its net gearing ratio (net borrowings to net assets value) was 27.7%.

Foreign Exchange

The Group's core businesses are in Hong Kong and the PRC. Its assets are mainly dominated in Hong Kong dollars and Renminbi. Risks of currency fluctuations are therefore insignificant.

Pledge of Assets

As at 31 March 2008, the Group's assets with an aggregate net book value of approximately HK$336,725,000 have been pledged to banks for banking facilities required in the usual course of operation of the Group.

Contingent Liabilities

Except as disclosed elsewhere in this announcement, the Group did not have any significant contingent liabilities as at 31 March 2008.

Capital Expenditure

Total capital expenditures of the Group for the year amounted to approximately HK$260 million, of which HK$100 million was incurred by the fashion garments business for the expansion of the retail and distribution network including the preliminary investment for acquisition business in the PRC and in Hong Kong. On the other hand, HK$160 million was incurred for the innovative textile technology and development and expansion of production capacity for Texnology Nano business and feather-fire textile and preliminary investment for acquisition business.

employment, training and development

As at 31 March 2008, the Group had a total of 3,123 employees, including 491 in Hong Kong and Macau, and 2,632 in China. During the year under review, the total employees' cost (including directors' remuneration) was approximately HK$91,798,000. The Group provided its employees with comprehensive remuneration and benefits packages according to market trend, individual expertise and performance. Other benefits offered to the employees by the Group include mandatory provident fund and a share option scheme.

To uphold the management philosophy of "Human Oriented", the Group organized training courses for frontline sales and supporting management staff during the year. This helped enhance their product knowledge and sales skills, as well as their operational management expertise.

National Philanthropy

On 12 May, a magnitude 8 earthquake, the most serious in the century, struck Sichuan Province of China, and the Group responded the call for "Helping Hands for Sichuan Earthquake Relief".

In Hong Kong, the Group launched the "U-RIGHT Care Donation Scheme" at all outlets from 17 May to 18 May, and donated part of the sales revenue from these two days, thereby involving ordinary citizens to participate in this relief activity. In China, the Group took the lead to donate goods and materials like clothes, Micro-feather quilts and nano-masks for frontline relief workers and victims, and the Group's employees initiated to raise funds themselves for the relief activities as well. The Group donated funds raised to World Vision in Hong Kong and the Red Cross in China respectively to support earthquake victims in Sichuan.

prospects

Fashion Garments Business

After more than twenty years' development, U-RIGHT's brand businesses in China and Hong Kong have been well established, and the Group strives to strengthen U-RIGHT's image in China as a "Major Fashion Brand of Hong Kong". It will continue to develop and manage its sales network in Hong Kong and Macau by closing a portion of outlets that are at the end of their lease terms and are not performing as expected, while maintaining the number of total outlets at around 100. In increasing brand popularity, the franchising business in tier two and tier three areas of China will benefit as well, hence effectively expanding its sales coverage. On the other hand, regarding development of overseas markets, there are uncertainties in Vietnam's present economic environment as well as an unstable monetary policy. The Group has therefore temporarily suspended its plans for business development in Vietnam.

As the new generation youth in China enjoys increasing opportunities to be exposed to new concepts and ideas, there has been a fundamental change in their demand for clothing. They are looking for apparel that will highlight their character and style as well as their individuality. SEVENDAYS has successfully filled this gap and established itself as a sales platform for trendy fashion wear and accessories, providing a wide collection of the most trendy products for young people to choose their favorites. At present, SEVENDAYS has gradually consolidated its business operating model, and entering a stage of high speed development. To effectively promote the development of SEVENDAYS, the Group will restructure its product resources and sales network. In the area of brand portfolio, the Group will look to acquire, merge with, or invest in trendy fashion brands with high potentials. In elevating its product development, gross margins will be enhanced. With regards to sales network, SEVENDAYS will continue to develop its business in tier one cities in China, and shopping malls will be carefully selected that matches SEVENDAYS' market positioning in order to enhance its brand recognition. Furthermore, the Group will leverage on SEVENDAYS' success by co-operating with other fashion distributors in China by way of acquisitions or equity and/or co-operative joint ventures so as to obtain additional distribution networks. During the year under review, the Group has committed resources into the upfront preparation works of the abovementioned investment plans. The Group firmly believes that the multi brand business of SEVENDAYS will develop at an even faster pace in the future, thus effectively enhancing the gross profit margin of the fashion garments business, and bring long term benefits to the multi-level faceted fashion businesses of the Group as a whole.

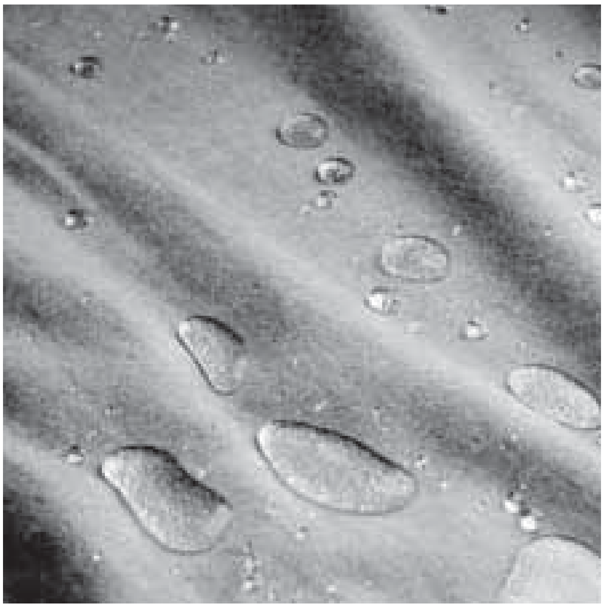
Innovative Textile Technology

Texnology Nano Business

With the ever-changing environmental policies in China, the Group adjusted its business strategies accordingly, and terminated the self-initiated construction of its nano textile product processing facility. The Group has now targeted certain textile dyeing enterprises for acquisitions or co-operation. This involves utilizing existing mature dyeing platforms, and incorporating nano-processing technology, to construct processing facilities for upstream textile products. Processing will hence be applied on a wider product range, thus lowering investment risks. In elevating its nano processing capability, Texnology Nano's business footing will be further strengthened, adding value to traditional textile products and increasing their popularity.

Feather-fibre Textile Technology

After two years of consolidation, the Group is well established in the application of a patented feather-fibre textile technology. The Group has refined manufacturing technologies of Micro-feather products, with its characteristics of "light-weight, thin and warm", to create higher quality environmentally friendly products. Benefiting from the exceptionally cold winter from Christmas to Chinese New Year holidays in the year, Micro-feather products became one of the most demanded winter garments in Hong Kong and China with record breaking sales volume, further proving the Group's philosophy of breaking through of traditional products with innovative technologies. With the successful launch of feather-fibre textile products in the market, the Group is also studying the application of this technology in down-stream textile products. Currently, the Group plans to invest in the application of the technology to various products such as thermal-retention feather-blended yarn and fabrics as well as thermal-retention military products. The Group is committed to the development of production and distribution of feather-fibre products. During the year under review, the Group has committed resources to this patented feather-fibre technology together with its application, production and marketing of various downstream textile products. In the future, increasing variety of feather textile products will change the landscape of the thermal textile products market, and the Group will capitalize on these opportunities by developing a more diversified innovative textile technology business which will bring a larger variety of new textile technology products to consumers.



Looking forward, the economic slowdown in the USA and Hong Kong, austerity measures in China, together with a high oil price and high inflation environment, will collectively have an impact on the business of the Group to a certain extent. Therefore, the Group will adopt a prudent approach, and continue to develop a diversified fashion garments business and innovative textile technology business. This strategy will effectively minimize adverse impacts from the market, improve future revenues and profitability, and add more value for our shareholders.

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2008.

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance practices are important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has applied the principles and complied with the code provisions set out in the CG Code, except for (i) code provision A.2.1 in relation to the separation of the roles of the Chairman and Chief Executive Officer throughout the year ended 31 March 2008; and (ii) code provision B.1.1 in relation to the majority of the members of a listed issuer's remuneration committee be independent non-executive directors (such non-compliance was only last for the period from 6 July 2007 to 26 July 2007). Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations of code provision are summarized below.

The Board is committed to enhance the corporate governance practices and standards of the Company appropriate to the conduct and growth of its business and to review such practices and standards regularly to ensure that they comply with the statutory and professional standards and align with the latest developments.

A. THE BOARD

A.1 RESPONSIBILITIES AND DELEGATION

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to shareholders, and on behalf of the shareholders, overseeing the Company's financial performance. All directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and acts in the interests of the Company and its shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The day-to-day management, administration and operation of the Company are led by the Executive Committee and the senior management of the Company. The Board has also delegated a schedule of responsibilities to the senior management of the Company, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Board has the full support of the senior management to discharge its responsibilities.

The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing officers and senior management.

A.2 BOARD COMPOSITION

The Board currently comprises the following directors:-

Executive directors:–

Mr. Leung Ngok, *Chairman of the Board, Executive Committee and Remuneration Committee and Chief Executive Officer*
Mr. Leung Shing, *Deputy Chairman of the Board and member of Executive Committee*
Mr. Leung Siu Kan, Stephen, *member of Executive Committee*

Independent non-executive directors:–

Mr. Jia Luqiao, *member of both the Audit Committee and Remuneration Committee*
Mr. Yang Dong Hui, *member of Audit Committee*
Mr. Wong Kai Cheong, *Chairman of Audit Committee and member of Remuneration Committee*

The list of all directors (by category) is set out under the section headed “Corporate Information” in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company. The biographical details of the directors of the Company are set out in this annual report.

Mr. Leung Ngok is the elder brother of Mr. Leung Shing. Other than that, there is no relationship (including financial, business, family, or other material/relevant relationship(s)) among the Board members.

During the year ended 31 March 2008, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors.

The Company has received a written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all of its independent non-executive directors independent in accordance with the independence guidelines set out in the Listing Rules. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

The composition of the Board reflects the necessary balance of skills and experience appropriate to the requirement of the business of the Company and to the exercising of independent judgement. The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

A.3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Leung Ngok currently assumes the roles of both Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Leung's taking up of both roles provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, the structure is beneficial to the business prospects of the Group.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

A.4 APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of Mr. Leung Ngok and Mr. Leung Shing, executive directors of the Company, is engaged on a service contract with the Company which will continue unless and until terminated by either party by not less than 6 months' written notice whereas Mr. Leung Siu Kan, Stephen, an executive director of the Company, is engaged on a service contract for a term of 3 years.

The term of office of all the independent non-executive directors of the Company is about 1 year up to the date of holding the forthcoming annual general meeting of the Company.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws (the "Bye-laws"). In accordance with the Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Pursuant to the aforesaid, Mr. Leung Ngok and Mr. Leung Shing shall retire by rotation and, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting. The Board recommended the re-appointment of these two retiring directors standing for re-election at the forthcoming annual general meeting. The Company's circular, sent together with this annual report, contains detailed information of such directors standing for re-election.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Company has adopted Directors Nomination Procedures as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

During the year ended 31 March 2008, the Board met once, with the presence of Mr. Leung Ngok, Mr. Leung Shing, Mr. Leung Siu Kan, Stephen, Mr. Jia Luqiao, Mr. Yang Dong Hui and Mr. Wong Kai Cheong, for reviewing the Board structure, assessing the independence of the independent non-executive directors and recommending the re-appointment of the directors standing for re-election at the 2007 annual general meeting of the Company.

A.5 INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Every newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key plant sites and/or meetings with the senior management of the Company.

Directors of the Company are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Besides, continuing briefings and professional development for directors will be arranged whenever necessary.

A.6 BOARD MEETINGS

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary, also the Qualified Accountant of the Company, and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

A.6.2 *Directors' Attendance Records in Board Meetings*

During the year ended 31 March 2008, 5 board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and discussing on the financial and operating performance of the Group and other related matters. The attendance records of each director at the Board meetings during the year ended 31 March 2008 are set out below:

Name of Director	Attendance/ Number of Board Meetings
Executive directors	
Mr. Leung Ngok	5/5
Mr. Leung Shing	5/5
Mr. Leung Siu Kan, Stephen	5/5
Independent non-executive directors	
Mr. Jia Luqiao	5/5
Mr. Yang Dong Hui	5/5
Mr. Wong Kong Hon *(Note)*	1/1
Mr. Wong Kai Cheong	5/5

Note:

Mr. Wong Kong Hon passed away on 6 July 2007 and accordingly he ceased as an independent non-executive director of the Company on 6 July 2007. Before his death, there was 1 Board meeting held during the year ended 31 March 2008.

A.7 MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 March 2008.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

B. BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Audit Committee and the Executive Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference and are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in A.6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B.1 REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently comprises three members, namely Mr. Leung Ngok (Chairman), Mr. Jia Luqiao and Mr. Wong Kai Cheong. During the year ended 31 March 2008, the Company has not complied with the code provision B.1.1 of the CG Code (which stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors) from 6 July 2007 to 26 July 2007 due to the decease of Mr. Wong Kong Hon, the then member of the Remuneration Committee, on 6 July 2007. Upon his decease, the Remuneration Committee was left with two members, being Mr. Leung Ngok and Mr. Wong Kai Cheong. The Company has subsequently complied with the said code provision B.1.1 by appointing Mr. Jia Luqiao as a member of the Remuneration Committee on 27 July 2007.

The duties of the Remuneration Committee are mainly to (i) make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; (ii) make recommendations on the remuneration packages of the executive directors and the senior management; (iii) review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and (iv) review and approve the compensation arrangements for the executive directors and the senior management.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Board/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

Details of the remuneration of each director of the Company for the year ended 31 March 2008 are set out in note 11 to the financial statements contained in this annual report.

The Remuneration Committee normally meets annually and has reviewed the remuneration packages of directors of the Company. The attendence records of the Remuneration Committee meeting is set out as follows:-

Name of Remuneration Committee Member	Attendance/Number of Meeting
Mr. Leung Ngok *(Chairman)*	1/1
Mr. Wong Kong Hon *(Note 1)*	0/0
Mr. Wong Kai Cheong	1/1
Mr. Jia Luqiao *(Note 2)*	1/1

Notes:

1. Mr. Wong Kong Hon passed away on 6 July 2007 and accordingly he ceased as a member of the Remuneration Committee of the Company on 6 July 2007. Before his death, no remuneration committee meeting was held.

2. Mr. Jia Luqiao was appointed as a member of the Remuneration Committee on 27 July 2007. Subsequent to his appointment, there was 1 remuneration committee meeting held.

B.2 AUDIT COMMITTEE

After the cessation of Mr. Wong Kong Hon as a member of the Audit Committee of the Company, the Audit Committee currently comprises three independent non-executive directors, namely Mr. Wong Kai Cheong (Chairman), Mr. Jia Luqiao and Mr. Yang Dong Hui, with one independent non-executive director (Mr. Wong Kai Cheong) possessing the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The duties of the Audit Committee are mainly to (i) review the financial statements and reports and consider any significant or unusual items raised by the Qualified Accountant or external auditors before submission to the Board; (ii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year ended 31 March 2008, the Audit Committee met twice and has reviewed the financial statements, results announcements and reports for the year ended 31 March 2007 and for the six months ended 30 September 2007, the financial reporting and compliance procedures, and the report from the senior management on the Company's internal control and risk management; and considered the re-appointment of external auditors. The external auditors were invited to attend one of the meetings without the presence of executive directors to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

The attendance records of the Audit Committee meetings are set out as follows:

Name of Audit Committee Member	Attendance/Number of Meetings
Mr. Wong Kai Cheong *(Chairman)*	2/2
Mr. Jia Luqiao	2/2
Mr. Yang Dong Hui	2/2
Mr. Wong Kong Hon *(Note)*	0/0

Note: Mr. Wong Kong Hon passed away on 6 July 2007 and accordingly he ceased as a member of the Audit Committee of the Company on 6 July 2007. Before his death, no audit committee meeting was held.

B.3 EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Leung Ngok, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2008.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

D. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate and effective internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group.

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2008 is set out in the section headed "Independent Auditor's Report" in this annual report.

A summary of audit and non-audit services provided by the external auditors for the year ended 31 March 2008 and their corresponding remuneration is as follows:

Type of services provided by the external auditors	**Fees paid/payable** HK$
Audit services:	*Audit services:*
Audit of the annual financial statements for the year ended 31 March 2008	1,450,000
Non-audit services:	*Non-audit services:*
Taxation services	120,000
Total:	1,570,000

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.u-right.com" as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business at 32nd Floor, Billion Plaza, No. 8 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong or via email to "info@u-right.com" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee and Remuneration Committee normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised. During the year ended 31 March 2008, the Company held two shareholders' meeting, being the annual general meeting held on 31 August 2007 and one special general meeting held on 11 April 2007.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them acquainted of the Group's developments.

G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

Besides, the rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-laws. Details of such rights are also included in all circulars sent to shareholders and, where necessary, explained in the shareholders' meetings.

When poll voting is conducted at a shareholder's meeting, the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.u-right.com) after such meeting.

report of the directors

The directors have pleasure in presenting their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2008.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 31 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 March 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 41 to 113.

The directors of the Company did not declared an interim dividend for the six months ended 30 September 2007. The directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 March 2008.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 26 September 2008 to Monday, 29 September 2008 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Monday, 29 September 2008, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 September 2008.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

Results

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**2,079,712**	1,774,007	1,343,852	913,844	739,677
Profit before taxation	**85,880**	158,063	138,467	118,973	137,116
Taxation	**(27,132)**	(23,765)	(17,628)	(11,709)	(10,832)
Minority interests	**2,619**	(11,206)	(17,433)	(11,279)	(12,412)
Profit attributable to equity holders of the Company	**61,367**	123,092	103,406	95,985	113,872

Assets and liabilities

	At 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,810,397**	2,223,454	1,797,830	1,223,090	919,485
Total liabilities	**(1,181,879)**	(955,793)	(750,147)	(494,915)	(346,785)
Minority interests	**(964)**	(22,994)	(21,588)	(7,355)	(10,536)
Total equity attributable to equity holders of the Company	**1,627,554**	1,244,667	1,026,095	720,820	562,164

Fixed Assets and Investment Properties

Details of movements in fixed assets and investment properties of the Group and of the Company during the year are set out in notes 12 and 14 respectively to the financial statements.

Share Capital, Share Options and Warrants

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefore, are set out in notes 28 and 29 to the financial statements.

Details of the Company's share option scheme are set out in note 29 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 30(b) to the financial statements respectively.

Distributable Reserves

As at 31 March 2008, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to approximately HK$45,183,000. In addition, the Company's share premium account in the amount of approximately HK$614,493,000 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

Sales to the five largest customers of the Group accounted for approximately 29% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 8% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 50% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 20% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors of the Company nor any of their associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or five largest suppliers.

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Leung Ngok
Mr. Leung Shing
Mr. Leung Siu Kan, Stephen

Independent non-executive directors:

Mr. Jia Luqiao
Mr. Wong Kong Hon (ceased on 6 July 2007)
Mr. Yang Dong Hui
Mr. Wong Kai Cheong

In accordance with clause 87 of the Company's bye-laws, Mr. Leung Ngok and Mr. Leung Shing, the existing directors of the Company, will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election at the said meeting.

The Company has received annual confirmation of independence from each of Mr. Jia Luqiao, Mr. Wong Kai Cheong and Mr. Yang Dong Hui and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules.

Directors' and Senior Management's Biographies

Executive directors

Mr. Leung Ngok, aged 49, is the Chairman, Chief Executive Officer and Chairman of the Executive Committee and Remuneration Committee of the Company. He is also a director of ACE Target (PTC) Inc., a substantial shareholder of the Company. He founded the Group in 1983 and is responsible for the overall strategic planning and formulation of corporate policies of the Group. Prior to the founding of the Group, Mr. Leung was a production manager of a garments retailing company. Mr. Leung has over 25 years of experience in the apparel manufacturing and distribution business. Mr. Leung is the elder brother of Mr. Leung Shing, an executive director.

Mr. Leung Shing, aged 46, is the Deputy Chairman and a member of the Executive Committee of the Company and co-founder of the Group. Mr. Leung is responsible for the overall strategic planning, sales, retail and distribution operations as well as the business development and administration of the Group. Prior to the founding of the Group, Mr. Leung was a shop manager of a garments retailing company. Mr. Leung has over 25 years of experience in the retail services industry. Mr. Leung is the younger brother of Mr. Leung Ngok, an executive director.

Mr. Leung Siu Kan, Stephen, aged 61, is an executive director and a member of the Executive Committee of the Company and the Group's PRC Business Operation Manager. He is responsible for the operation management of business in the PRC. He has more than twenty years of experiences in retail and management of apparel and garment operations.

Independent non-executive directors

Mr. Jia Luqiao, aged 68, is an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company. After graduated from the Capital University of Economics and Business in 1964, Mr. Jia taught at the university. From 1973 to 1992, Mr. Jia worked at Tianjin Institute of Textile Science and Technology (currently renamed as Tianjin Polytechnic University) for the positions of teacher, dean, head of department, deputy president and president respectively. Mr. Jia was the president of the Beijing Institute of Clothing Technology from August 1992 to 1994. Mr. Jia was the president of the China Textile Academy from 1995 to 2003. Since November 2003, Mr. Jia has been the chairman of the Development and Strategic Committee of the China Textile Academy.

Mr. Yang Dong Hui, aged 63, is an independent non-executive director and a member of the Audit Committee of the Company. Mr. Yang graduated from Tsinghua University in 1970 and is currently the vice president of China National Textile Industry Council (中國紡織工業協會). He has been the president of National Association of Domestic Textile Products Industry (中國家用紡織品行業協會) since 1999. Mr. Yang is also an independent non-executive director of Kingdom Holdings Limited, a listed company in Hong Kong.

Mr. Wong Kai Cheong, aged 46, is an independent non-executive director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Wong is an accountant practising in Hong Kong with more than 15 years of experience in auditing, corporate finance and consultancy. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Wong is also an independent non-executive director of Coastal Greenland Limited and Continental Holdings Limited, both of which are listed companies in Hong Kong.

Senior Management

Mr. Ng Chi Yin, aged 42, is the Financial Controller, Qualified Accountant and the Secretary of the Company. Mr. Ng is responsible for the accounting and financial control functions of the Group. He joined the Group in 1999. Mr. Ng holds a bachelor degree in Business Administration majoring in Accounting from the Chinese University of Hong Kong. Before joining the Group, Mr. Ng worked in an international accounting firm and has over 13 years of experience in auditing, accounting and finance. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Low John Meng, aged 43, is the Group's Corporate Finance Manager and responsible for the development of the Group's investment business and treasury functions. Mr. Low joined the Group in 2002 and holds a bachelor degree in Economics from the Macquarie University, Australia. He has over 15 years of experience in banking and finance.

Ms. Yim Yuk Lam, aged 48, is the Group's Hong Kong Apparels General Manager and responsible for the sales and marketing of the Group's apparels business in Hong Kong. Ms. Yim joined the Group in 2002. She has over 20 years of experiences in retail and management of apparels. She is the wife of Mr. Leung Ngok, the Chairman of the Group. She is also a director of ACE Target (PTC) Inc., a substantial shareholder of the Company.

Ms. Cheung Wai Yu, aged 36, is the Group's Administration Manager and responsible for office administration. Ms. Cheung holds a bachelor degree in Industry Economics from Tam Kang University, Taiwan and joined the Group in 1996. Ms. Cheung worked for the retail operations department of a British conglomerate prior to joining the Group.

Mr. Ding Yi, aged 46, is the Group's Business Promotion Manager in the PRC and responsible for marketing in the PRC. Mr. Ding joined the Group in 2002. He holds both a bachelor degree and master degree in Science from Tongji University. He has over 13 years of experience in business development and corporate management.

Mr. Ding Wei, aged 39, is the Group's Business Development Manager in the PRC and responsible for expansion and operation of the Group's apparels new business in the PRC. Mr. Ding joined the Group in April 2005. He has a bachelor degree in Business Administration awarded by Shaanxi Mechanical Institute (陝西機械學院) and the title of Internationally Registered Business Administrator (Senior) awarded by Beijing International Accreditation and Registration Institute. Mr. Ding has over twelve years of experiences in expansion and management for retail and wholesale of branded apparels in the PRC.

Mr. Su Zhijun, aged 43, is the Chief Engineer in Production Technology of the Group's Texnology Nano business, responsible for the management of production technology and craft of Texnology Nano. Mr. Su joined the Group in 2003. He holds a bachelor degree in Textile and Chemical Engineering from Wuhan Textile Engineering College (武漢紡織工學院) and obtains the professional title of Textile Dying Engineer (紡織整染工程師). Mr. Su has over 14 years of experience in the technology research and development and management in textile dying corporations in mainland China.

Share Option Scheme

A summary of the movement of share options granted under the share option scheme of the Company during the year is as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per share HK$	*Weighted average closing price of shares HK$	Number of share options outstanding at 1 April 2007	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled/ lapsed during the year	Number of share options outstanding at 31 March 2008
Directors									
Mr. Leung Shing	6 November 2006	6 November 2006 – 5 November 2009	0.255	N/A	25,000,000	Nil	Nil	Nil	25,000,000
Mr. Leung Siu Kan, Stephen	6 November 2006	6 November 2006 – 5 November 2009	0.255	N/A	25,000,000	Nil	Nil	Nil	25,000,000
Other employees									
In aggregate	6 November 2006	6 November 2006 – 5 November 2009	0.255	0.412	115,500,000	Nil	(115,500,000)	Nil	Nil
Suppliers									
In aggregate	6 November 2006	6 November 2006 – 5 November 2009	0.255	0.360	12,000,000	Nil	(12,000,000)	Nil	Nil
					177,500,000	Nil	(127,500,000)	Nil	50,000,000

* Weighted average closing price of shares is the weighted average closing price of the Company's shares at the business days immediately before the dates on which the options were exercised.

Details of the share option scheme of the Company are set out in note 29 to the financial statements.

Directors' Service Contracts

Each of Mr. Leung Ngok and Mr. Leung Shing, the executive directors of the Company, is engaged on a service contract with the Company which will continue unless and until terminated by either party by not less than 6 months' written notice whereas Mr. Leung Siu Kan, Stephen, an executive director of the Company, is engaged on a service contract for a term of 3 years.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' Interests in a Competing Business

During the year and up to the date of this report, no director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Directors' Interests in Contracts

Other than those transactions disclosed in note 36 to the financial statements, no director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Interests in Shares and Underlying Shares

As at 31 March 2008, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (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"), were as follows:

(1) Interests in shares of the Company

Name of director	Long/short position	Capacity	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Leung Ngok	Long	Beneficial owner	109,221,000	3.06%
	Long	Founder of a discretionary trust	1,094,541,179 *(Note)*	30.66%

Note: These shares were owned by ACE Target (PTC) Inc. as trustee of The Target Unit Trust, a unit trust of which all of the units in issue are owned by Trident Trust Company (B.V.I.) Limited as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok's family members.

Accordingly, Mr. Leung Ngok, as founder of The Leung Ngok Family Trust, was deemed to be interested in the shares owned by ACE Target (PTC) Inc. in its capacity as the trustee of The Target Unit Trust under Part XV of the SFO.

(2) Interests in underlying shares of the Company - physically settled unlisted equity derivatives

Name of director	Long/short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital
Mr. Leung Shing	Long	Beneficial owner	25,000,000	0.70%
Mr. Leung Siu Kan, Stephen	Long	Beneficial owner	25,000,000	0.70%

Details of the above share options as required to be disclosed by the Listing Rules are set out in the above section headed "Share Option Scheme" and note 29 to the financial statements.

In addition to the above, as at 31 March 2008, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

Save as disclosed above, as at 31 March 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have taken under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights during the year ended 31 March 2008.

Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' Interests in Shares and Underlying Shares" and "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or chief executives or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

Substantial Shareholders' Interests

As at 31 March 2008, the following interests of 5% or more in the shares and underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares the Company interested	Percentage of of the Company's issued share capital
ACE Target (PTC) Inc.	Long	Trustee	1,094,541,179 *(Note (1))*	30.66%
Trident Trust Company (B.V.I.) Limited	Long	Trustee	1,094,541,179 *(Note (1))*	30.66%
Ms. Yim Yuk Lam	Long	Interest of spouse	1,203,762,179 *(Note (2))*	33.72%
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner	222,066,624	6.22%

Notes:

(1) Such interest was also disclosed as the interest of Mr. Leung Ngok in the above section headed "Directors' Interests in Shares and Underlying Shares".

(2) Ms. Yim Yuk Lam was deemed to be interested in the 1,203,762,179 shares of the Company through interest of her spouse, Mr. Leung Ngok.

Save as disclosed above, as at 31 March 2008, no persons, other than the directors of the Company whose interests are set out in the above section headed "Directors' Interests in Shares and Underlying Shares", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Corporate Governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Directors' Emoluments

The directors' fee are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Event After the Balance Sheet Date

Details of the significant event after the balance sheet date of the Group are set out in note 37 to the financial statements.

General Disclosure Obligation under Rule 13.21 of the Listing Rules

On 18 July, 2005, a wholly owned subsidiary of the Company (the "Borrower"), had entered into an agreement (the "Facility Agreement (A)") relating to a term loan facility of up to HK$220,000,000 and a revolving facility of up to HK$110,000,000 with a syndicate of banks (the "Lenders"). The termination date of Facility Agreement (A) is the date falling 36 months after the date of Facility Agreement (A). On 27 November 2006, the same Borrower had entered into an agreement ("Facility Agreement (B)") relating to a term loan facility of up to HK$30,000,000 and a revolving facility of up to HK$10,000,000 with a bank (the "Bank"). The termination date of Facility Agreement (B) is the date falling 30 months after the date of Facility Agreement (B).

Facility Agreement (A) and Facility Agreement (B) have imposed an obligation on the Borrower to procure that Mr. Leung Ngok (a director of the Company), his family members, related trusts and companies controlled by him shall at all times remain the direct or indirect beneficial owner of at least 30% of the total issued share capital of the Company and the beneficial owner of single largest shareholding block in the total issued share capital of the Company. A breach of the aforesaid obligation will constitute an event of default under Facility Agreement (A) and Facility Agreement (B). Upon the occurrence of an event of default under Facility Agreement (A) and Facility Agreement (B), the loans outstanding, together with the interest accrued thereon, be immediately due and payable.

As detailed in the Company's press announcement dated 6 June 2007, a wholly owned subsidiary of the Company (the "Borrower"), had entered into an agreement (the "Facility Agreement (C)") relating to a term loan facility of US$30,000,000 with the bank(s) named therein. The termination date of Facility Agreement (C) is the date falling 5 years after the date of Facility Agreement (C).

Facility Agreement (C) has imposed an obligation that Mr. Leung Ngok (a director of the Company), his family members, related trusts and companies controlled by him shall at all times remain the direct or indirect beneficial owner of at least 25% of the total issued share capital of the Company and the beneficial owner of the single largest shareholding block in the total issued share capital of the Company. A breach of the aforesaid obligation will constitute an event of default under Facility Agreement (C). Upon the occurrence of an event of default under Facility Agreement (C), the loans outstanding, together with the interest accrued thereon, may be immediately due and payable.

As the above specific performance obligation as imposed under all the above Facility Agreements continues to exist as at the year end the Company is required to make the above disclosure pursuant to Rule 13.21 of the Listing Rules. In addition, the above performance obligation has been duly satisfied up to the year end.

Auditors

RSM Nelson Wheeler will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the Company's forthcoming annual general meeting.

On behalf of the Board

Leung Ngok
Chairman

Hong Kong, 8 August 2008

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
U-RIGHT INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of U-Right International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 113, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
8 August 2008

consolidated income statement

for the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**2,079,712**	1,774,007
Cost of sales		**(1,627,420)**	(1,363,668)
Gross profit		**452,292**	410,339
Other income	5	**62,603**	24,981
Selling and distribution costs		**(223,636)**	(142,820)
Administrative expenses		**(68,966)**	(76,608)
Amortisation of intangible assets		**(4,465)**	(3,378)
Profit from operations		**217,828**	212,514
Finance costs	6	**(50,292)**	(48,773)
Share of losses of jointly-controlled entities		**(456)**	(5,678)
Impairment of investments in jointly-controlled entities	16	**(45,000)**	–
Impairment of fixed assets	12	**(36,200)**	–
Profit before tax		**85,880**	158,063
Income tax expense	7	**(27,132)**	(23,765)
Profit for the year	8	**58,748**	134,298
Attributable to:			
Equity holders of the Company		**61,367**	123,092
Minority interests		**(2,619)**	11,206
		58,748	134,298
Dividends	9	**–**	18,758
		HK cents	HK cents
Earnings per share	10		
Basic		**1.81**	4.55
Diluted		**1.80**	4.47

consolidated balance sheet

at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets	12	**405,993**	430,691
Prepaid land lease payments	13	**72,639**	87,290
Investment properties	14	**105,574**	28,453
Intangible assets	15	**225,750**	168,259
Investments in jointly-controlled entities	16	**4,449**	49,905
Available-for-sale financial assets	17	**8,000**	32,953
Prepayments and deposits	18	**383,867**	60,105
		1,206,272	857,656
Current assets			
Inventories	19	**372,089**	313,194
Trade receivables	20	**346,797**	320,035
Prepayments, deposits and other receivables	21	**442,918**	180,189
Prepaid land lease payments	13	**1,874**	2,179
Tax recoverable		**1,099**	1,019
Bank and cash balances	4(a)	**439,348**	549,182
		1,604,125	1,365,798
Current liabilities			
Trade and bills payables	22	**160,740**	138,347
Accruals and other payables		**36,373**	34,535
Amounts due to jointly-controlled entities	16(a)	**122**	113
Provision for taxation		**13,878**	14,287
Interest-bearing borrowings	23	**580,789**	500,380
Finance leases payables	24	**58**	1,279
Derivative financial instruments	25	**4,607**	–
		796,567	688,941

consolidated balance sheet

at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Net current assets		**807,558**	676,857
Total assets less current liabilities		**2,013,830**	1,534,513
Non-current liabilities			
Interest-bearing borrowings	23	**309,726**	188,430
Finance leases payables	24	**162**	220
Deferred taxation	26	**29,954**	24,777
Convertible notes	27	**45,470**	53,425
		385,312	266,852
Net assets		**1,628,518**	1,267,661
Capital and reserves			
Share capital	28	**356,936**	293,770
Reserves		**1,270,618**	950,897
Total equity attributable to equity holders of the Company		**1,627,554**	1,244,667
Minority interests		**964**	22,994
Total equity		**1,628,518**	1,267,661

Leung Ngok
Director

Leung Shing
Director

consolidated statement of changes in equity

for the year ended 31 March 2008

	Share capital HK$'000	Share premium HK$'000 (note a)	Property revaluation reserve HK$'000 (note b)	Statutory reserve HK$'000 (note c)	Foreign currency translation reserve HK$'000 (note d)	Capital reserve HK$'000 (note e)	Share-based compensation reserve HK$'000 (note f)	Retained profits HK$'000	Attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2006	267,970	423,365	17,603	220	15,632	–	–	301,305	1,026,095	21,588	1,047,683
Exchange difference arising on translation of foreign operations	–	–	–	–	16,261	–	–	–	16,261	–	16,261
Surplus on revaluation	–	–	43,722	–	–	–	–	–	43,722	–	43,722
Deferred taxation arising on revaluation	–	–	(10,000)	–	–	–	–	–	(10,000)	–	(10,000)
Expenses incurred in connection with placement	–	(1,925)	–	–	–	–	–	–	(1,925)	–	(1,925)
Net income recognised directly in equity	–	(1,925)	33,722	–	16,261	–	–	–	48,058	–	48,058
Profit for the year	–	–	–	–	–	–	–	123,092	123,092	11,206	134,298
Total recognised income and expense for the year	–	(1,925)	33,722	–	16,261	–	–	123,092	171,150	11,206	182,356
Issue of shares on placement (note 28(b))	25,800	49,020	–	–	–	–	–	–	74,820	–	74,820
Issue of convertible notes (note 27)	–	–	–	–	–	6,040	–	–	6,040	–	6,040
Recognition of share-based payments (note 29)	–	–	–	–	–	–	6,757	–	6,757	–	6,757
Acquisition of interest in subsidiaries (note 32(a))	–	–	–	–	–	–	–	–	–	4,500	4,500
Acquisition of additional interests in subsidiaries from minority shareholders (note 32(b))	–	–	–	–	–	–	–	–	–	(3,100)	(3,100)
Dividends paid	–	–	–	–	–	–	–	(40,195)	(40,195)	(11,200)	(51,395)
At 31 March 2007	293,770	470,460	51,325	220	31,893	6,040	6,757	384,202	1,244,667	22,994	1,267,661
At 1 April 2007	293,770	470,460	51,325	220	31,893	6,040	6,757	384,202	1,244,667	22,994	1,267,661
Exchange difference arising on translation of foreign operations	–	–	–	–	117,026	–	–	–	117,026	–	117,026
Surplus on revaluation	–	–	9,945	–	–	–	–	–	9,945	–	9,945
Deferred taxation arising on revaluation and change of tax rate	–	–	(4,777)	–	–	–	–	–	(4,777)	–	(4,777)
Expenses incurred in connection with placement	–	(4,630)	–	–	–	–	–	–	(4,630)	–	(4,630)
Net income recognised directly in equity	–	(4,630)	5,168	–	117,026	–	–	–	117,564	–	117,564
Profit for the year	–	–	–	–	–	–	–	61,367	61,367	(2,619)	58,748
Total recognised income and expense for the year	–	(4,630)	5,168	–	117,026	–	–	61,367	178,931	(2,619)	176,312
Issue of shares on											
– Exercise of share options (note 28(a))	12,750	24,616	–	–	–	–	(4,853)	–	32,513	–	32,513
– Placement (note 28(b))	40,000	104,000	–	–	–	–	–	–	144,000	–	144,000
– Conversion of convertible notes (note 28(c))	10,416	20,047	–	–	–	(3,020)	–	–	27,443	–	27,443
Acquisition of additional interests in subsidiaries from minority shareholders (note 32(b))	–	–	–	–	–	–	–	–	–	(19,411)	(19,411)
At 31 March 2008	**356,936**	**614,493**	**56,493**	**220**	**148,919**	**3,020**	**1,904**	**445,569**	**1,627,554**	**964**	**1,628,518**

Note:

(a) The application of the share premium account is governed by the Companies Act of Bermuda.

(b) The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 2(e) to the financial statements.

(c) In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the subsidiaries.

(d) The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(d)(iii) to the financial statements.

(e) The capital reserve represents the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 2(o)(ii) to the financial statements.

(f) Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and a supplier of the Group recognised in accordance with the accounting policy adopted for share-based compensation reserve in note 2(r) to the financial statements.

consolidated cash flow statement

for the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**85,880**	158,063
Adjustments for:		
Depreciation and amortisation of land lease payments	**56,947**	55,547
Interest income	**(9,667)**	(6,486)
Gain on sales of available-for-sale financial assets	**(1,047)**	(9,731)
Net loss/(gain) on disposals of fixed assets	**166**	(410)
Loss on disposals of investment properties	**120**	–
Finance costs	**50,292**	48,773
Share of losses of jointly-controlled entities	**456**	5,678
Impairment of fixed assets	**36,200**	–
Impairment of investments in jointly-controlled entities	**45,000**	–
Fair value (gain)/loss on investment properties	**(41,034)**	3,950
Fair value gain on derivative financial instruments	**(4,147)**	–
Equity-settled share based payments	**–**	6,757
Amortisation of intangible assets	**4,465**	3,378
Operating profit before working capital changes	**223,631**	265,519
Increase in inventories	**(58,895)**	(158,832)
Increase in trade receivables	**(26,762)**	(90,351)
Decrease/(increase) in prepayments, deposits and other receivables	**36,870**	(52,596)
Increase in trade and bills payables	**22,393**	88,935
Increase in accruals and other payables	**1,847**	12,469
Cash generated from operations	**199,084**	65,144
Interest paid	**(44,682)**	(48,398)
Interest element on finance leases payments	**(92)**	(375)
Taxes paid	**(27,420)**	(27,391)
Net cash generated from/(used in) operating activities	**126,890**	(11,020)

consolidated cash flow statement

for the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(58,501)	(101,989)
Purchases of investment properties		–	(22,973)
Proceeds from disposals of fixed assets		–	1,507
Proceeds from disposals of investment properties		5,080	–
Proceeds from sales of available-for-sale financial assets	32(c)	5,102	22,981
Acquisition of interests in subsidiaries	32(a)	–	(20,000)
Acquisition of additional interests in subsidiaries from minority shareholders	32(b)	(80,349)	(31,000)
Increase in prepayments and deposits		(602,463)	(52,720)
Interest received		9,667	6,486
Dividends paid to equity holders of the Company		–	(40,195)
Dividends paid to minority shareholders		–	(11,200)
Net cash used in investing activities		(721,464)	(249,103)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares on placement		144,000	74,820
Proceeds from issue of convertible notes		22,724	57,056
Proceeds from issue of shares on exercise of share options		32,513	–
Expenses on placement		(4,630)	(1,925)
Drawdown of bank loans		175,141	196,000
Drawdown of term and syndicated loans		234,000	40,000
Net drawdown of trust receipt and export loans		107,144	58,815
Repayment of bank loans		(218,080)	(167,022)
Repayment of term and syndicated loans		(96,500)	(74,000)
Capital element of finance leases payments		(1,279)	(7,703)
Net cash from financing activities		395,033	176,041
NET DECREASE IN CASH AND CASH EQUIVALENTS		(199,541)	(84,082)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		549,182	619,544
Effect of foreign exchange rate changes		89,707	13,720
CASH AND CASH EQUIVALENTS AT END OF YEAR		439,348	549,182
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank and cash balances		439,348	549,182

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 32nd Floor, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 31 to the financial statements.

In the opinion of the directors of the Company, as at 31 March 2008, Mr. Leung Ngok is the ultimate controlling party of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the 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.

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, investment properties, available-for-sale financial assets and derivative financial instruments which are carried at their fair values.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 3 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests 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. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary are initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Jointly-controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly-controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Jointly-controlled entities (continued)

Investment in a jointly-controlled entity is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly-controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

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

The gain or loss on the disposal of a jointly-controlled entity represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the jointly-controlled entity which was not previously charged or recognised in the consolidated income statement and also any related foreign currency translation reserve.

Unrealised profits on transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly-controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

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

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

– all resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

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

(e) Fixed assets

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fixed assets (continued)

Revaluation increases of land and buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the property revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against property revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued land and buildings, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Medium term leasehold land and buildings	Over the lease terms
Leasehold improvements	5 years
Machinery and equipment	3 to 4 years
Furniture, fixtures and motor vehicles	4 to 5 years

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. Investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property and is recognised in the income statement.

If an item of fixed assets becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of fixed assets. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(g) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as finance lease payables. Lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An internally generated intangible asset arising from the Group's business development is recognised only if all of the following conditions are met:

– an asset is created that can be identified;
– it is probable that the asset created will generate future economic benefits; and
– the development cost of the asset can be measured reliably.

Internally generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of five years. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

(i) Technical know-how

Technical know-how acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The cost of technical know-how acquired is amortised on a straight-line basis over its estimated useful life of five years.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises direct materials, direct labour and an appropriate proportion of overheads and, where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the 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 the income statement.

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 is recognised in the income statement.

(l) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the income statement.

Impairment losses recognised in income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. 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 for specific financial liabilities and equity instruments are set out below:

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(ii) Convertible notes

– *Compound instrument*

Convertible notes which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liability and equity instruments (continued)

(ii) Convertible notes (continued)

– *Combined instrument*

Convertible notes which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components on initial recognition.

(iii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iv) Equity instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) *Sales of goods*

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) *Licensing income*

Licensing income is recognised in accordance with the substance of the relevant licensing agreements.

(iii) *Processing income*

Processing income is recognised upon the delivery of processed goods.

(iv) *Rental income*

Rental income is recognised on a time-proportion basis in accordance with the terms and conditions of the tenancy agreement.

(v) *Interest income*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(r) Share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and be adjusted for the effect of non market-based vesting conditions.

(s) Borrowing costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Taxation

Income tax expense represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in jointly-controlled entities, 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, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Segment reporting

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

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, trade receivables and bank and cash balances. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, results, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories, receivables, investments and investment properties, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Provisions and contingent liabilities

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

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

(y) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Split of land and building elements

The Group determines that the lease payments cannot be allocated reliably between the land and building elements on certain leasehold land and buildings. Accordingly, leases of land and buildings with carrying amount of HK$119,729,000 (2007: HK$94,295,000) as at 31 March 2008 is classified as finance leases and included under fixed assets.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

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

(a) *Fixed assets and depreciation*

The Group determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) *Income taxes*

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

(c) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(d) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer tastes and competitors' actions in response to serve industry cycles. Management will reassess the estimates by the balance sheet date.

(e) *Allowances for bad and doubtful debts*

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities (HK$, Renminbi ("RMB") and Maco Pataca ("MOP")). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Included in the bank and cash balances of the Group is an amount of approximately HK$426 million as at 31 March 2008 (2007: HK$510 million) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Credit risk

The carrying amounts of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

At the balance sheet date, the Group has certain concentration of credit risk as 3% (2007: 2%) and 24% (2007: 31%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 March 2008 respectively. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

Since the Group trades only with creditworthy third parties, there is no requirement for collateral.

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Total contractual undiscounted cash flow HK$'000	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 March 2008					
Interest-bearing borrowings	945,636	595,453	21,947	280,299	47,937
Finance leases payables	250	73	73	104	–
Convertible notes	73,707	702	702	72,303	–
Trade and bills payables	160,740	160,740	–	–	–
Accruals and other payables	36,373	36,373	–	–	–
Amounts due to jointly-controlled entities	122	122	–	–	–
At 31 March 2007					
Interest-bearing borrowings	745,516	520,053	118,856	39,218	67,389
Finance leases payables	1,681	1,431	73	177	–
Convertible notes	82,614	–	–	82,614	–
Trade and bills payables	138,347	138,347	–	–	–
Accruals and other payables	34,535	34,535	–	–	–
Amounts due to jointly-controlled entities	113	113	–	–	–

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2008, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$7.7 million (2007: HK$5.8 million) higher, arising mainly as a result of lower interest expenses on interest-bearing borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$7.7 million (2007: HK$5.8 million) lower, arising mainly as a result of higher interest expenses on interest-bearing borrowings.

4. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

5. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

	2008 HK$'000	2007 HK$'000
Turnover		
Sales of goods	**1,970,133**	1,684,177
Processing income	**109,579**	83,030
Licensing income	**–**	6,800
	2,079,712	1,774,007
Other income		
Gross rental income	**1,495**	3,693
Interest income	**9,667**	6,486
Fair value gain on investment properties	**41,034**	–
Fair value gain on derivative financial instruments	**4,147**	–
Gain on sales of available-for-sale financial assets	**1,047**	9,731
Others	**5,213**	5,071
	62,603	24,981

Segment information

In determining the Group's geographical segments, revenue, results, assets and liabilities are based on the location of assets.

The Group's geographical segments comprise of Hong Kong and the PRC.

The Group's business segments comprise fashion garments business and the Texnology Nano business. Texnology Nano business refers to business utilising the Swedish Texcote Technology which is a material processing technology based on the principles of nanotechnology.

5. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (continued)

(a) Geographical segments

	Hong Kong		PRC		Elimination		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment revenue:								
Sales to external customers	289,934	191,675	1,789,778	1,582,332	–	–	2,079,712	1,774,007
Inter-segment sales	2,323	988	118,654	120,962	(120,977)	(121,950)	–	–
Total revenue	292,257	192,663	1,908,432	1,703,294	(120,977)	(121,950)	2,079,712	1,774,007
Segment results	(8,394)	(16,942)	257,772	278,062	–	–	249,378	261,120
Unallocated expenses							(31,550)	(48,606)
Profit from operations							217,828	212,514
Finance costs							(50,292)	(48,773)
Share of losses of jointly-controlled entities							(456)	(5,678)
Impairment of investments in jointly-controlled entities							(45,000)	–
Impairment of fixed assets							(36,200)	–
Profit before tax							85,880	158,063
Income tax expense							(27,132)	(23,765)
Profit for the year							58,748	134,298
Segment assets	320,677	291,151	2,258,422	1,713,120	–	–	2,579,099	2,004,271
Investments in jointly-controlled entities							4,449	49,905
Unallocated assets							226,849	169,278
Total assets							2,810,397	2,223,454
Segment liabilities	23,232	46,104	174,003	128,390	–	–	197,235	174,494
Unallocated liabilities							984,644	781,299
Total liabilities							1,181,879	955,793
Other segment information:								
Amortisation of intangible assets	–	–	4,465	3,378	–	–	4,465	3,378
Capital expenditure	44,275	74,285	14,226	50,677	–	–	58,501	124,962
Depreciation	20,979	16,596	33,775	36,836	–	–	54,754	53,432
Impairment of fixed assets	–	–	36,200	–	–	–	36,200	–

5. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (continued)

(b) Business segments

	Fashion garments business		Texnology Nano business		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**1,597,944**	1,310,760	**481,768**	463,247	**2,079,712**	1,774,007
Segment assets	**2,301,759**	1,593,979	**277,340**	410,292	**2,579,099**	2,004,271
Capital expenditure	**55,522**	121,621	**2,979**	3,341	**58,501**	124,962

6. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest expenses on:		
Bank loans and overdrafts	**44,682**	45,989
Convertible notes	**5,518**	2,409
Finance leases	**92**	375
	50,292	48,773

7. INCOME TAX EXPENSE

(a)

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**15,000**	16,000
Over-provision in prior years	**(404)**	(1,556)
	14,596	14,444
Current tax – Overseas		
Provision for the year	**11,043**	8,544
Under-provision in prior years	**1,093**	–
	12,136	8,544
Deferred tax	**400**	777
	27,132	23,765

Hong Kong Profits Tax is provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the respective jurisdictions in which the subsidiaries of the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(b) The reconciliation between the income tax expense and the product of profit before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2008 HK$'000	2007 HK$'000
Profit before tax	**85,880**	158,063
Tax at the applicable tax rate of 17.5% (2007: 17.5%)	**15,029**	27,661
Tax effect of income that is not taxable	**(19,560)**	(16,666)
Tax effect of expenses that are not deductible	**21,191**	5,623
Temporary differences not recognised	**195**	2,829
Tax effect on losses on jointly-controlled entities	**80**	994
Tax effect of utilisation of tax losses not previously recognised	**(567)**	(4,385)
Tax effect of unused tax losses not recognised	**4,003**	5,114
Under/(over)-provision of taxation charges	**689**	(1,556)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,072**	4,151
Income tax expense	**27,132**	23,765

7. INCOME TAX EXPENSE (continued)

(c) The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law was effective from 1 January 2008.

(d) During the year ended 31 March 2008, the Hong Kong Inland Revenue Department initiated a tax audit on certain companies of the Group. Since the tax audit is still at a preliminary fact-finding stage, its outcome cannot be readily ascertained with any degree of accuracy. The management of the Group has reviewed the situation and considered that sufficient tax provisions have been made in the consolidated financial statements.

8. PROFIT FOR THE YEAR

The Group's profit for the year is stated at after charging/(crediting) the following:

	2008 HK$'000	2007 HK$'000
Auditor's remuneration		
Current year	**1,450**	1,250
Under-provision in prior year	**180**	180
	1,630	1,430
Cost of inventories sold (note)	**1,627,420**	1,363,668
Net loss/(gain) on disposals of fixed assets	**166**	(410)
Loss on disposals of investment properties	**120**	–
Depreciation	**54,754**	53,432
Fair value (gain)/loss on investment properties	**(41,034)**	3,950
Staff costs (excluding directors' remuneration – note 11)		
Salaries, bonus and allowances	**85,986**	61,834
Retirement benefits scheme contributions	**2,664**	1,721
Equity-settled share option expense	**–**	4,853
	88,650	68,408
Research and development expenditure	**10,730**	5,840
Minimum lease payments under operating leases in respect of land and buildings	**85,256**	51,799

Note: Cost of inventories sold includes approximately HK$5,715,000 (2007: HK$8,070,000) and HK$21,183,000 (2007: HK$25,863,000) relating to staff costs, depreciation and amortisation respectively, which are included in the respective amounts disclosed separately above for each of these types of expenses for the year.

9. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend paid – HK Nil cent (2007: HK0.7 cent) per ordinary share	–	18,758

10. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on:

Earnings	2008 HK$'000	2007 HK$'000
Profit attributable to equity holders of the Company, used in basic earnings per share calculation	61,367	123,092
Finance costs saving on conversion of convertible notes outstanding	–	2,409
Profit attributable to equity holders of the Company, used in diluted earnings per share calculation	61,367	125,501

Number of shares	2008	2007
Weighted average number of ordinary shares used in basic earnings per share calculation	3,391,666,113	2,705,851,675
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	–	101,598,174
Effect of dilutive potential ordinary shares arising from share options	21,073,509	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	3,412,739,622	2,807,449,849

The effects of all convertible notes are anti-dilutive for the year ended 31 March 2008.

For the year ended 31 March 2007, the share options had no dilutive effect as the average market price of ordinary shares was below the exercise price of the options.

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Details of emoluments of the directors of the Company disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance are as follows:

For the year ended 31 March 2008

Name of director	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Mr. Leung Ngok	–	1,356	12	1,368
Mr. Leung Shing	–	735	12	747
Mr. Leung Siu Kan, Stephen	–	625	12	637
Independent non-executive directors				
Mr. Jia Luqiao	123	–	–	123
Mr. Wong Kong Hon *	30	–	–	30
Mr. Wong Kai Cheong	120	–	–	120
Mr. Yang Dong Hui	123	–	–	123
	396	2,716	36	3,148

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' remuneration (continued)

For the year ended 31 March 2007

Name of director	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Leung Ngok	–	1,312	–	12	1,324
Mr. Leung Shing	–	1,128	952	12	2,092
Mr. Leung Siu Kan, Stephen	–	343	952	5	1,300
Independent non-executive directors					
Mr. Jia Luqiao	116	–	–	–	116
Mr. Wong Kong Hon*	130	–	–	–	130
Mr. Wong Kai Cheong	120	–	–	–	120
Mr. Yang Dong Hui	116	–	–	–	116
	482	2,783	1,904	29	5,198

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2007: HK$Nil).

* Passed away on 6 July 2007

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals' remuneration

The five highest paid individuals during the year included three (2007: three) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2007: two) highest paid individuals are as follows:

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	1,915	1,899
Equity-settled share option expense	–	952
Retirement benefits scheme contributions	24	24
	1,939	2,875

During the year, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2007: HK$Nil).

The number of five highest paid individuals whose remuneration fell within the following bands are as follows:

	Number of individuals	
	2008	2007
HK$Nil-HK$1,000,000	1	–
HK$1,000,001-HK$1,500,000	1	2
	2	2

12. FIXED ASSETS

	Medium term leasehold buildings HK$'000	Medium term leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and motor vehicles HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2006	83,476	50,375	6,558	54,344	218,026	20,604	433,383
Additions	337	–	36,934	57,163	6,504	1,051	101,989
Exchange difference	1,457	1,443	262	464	622	406	4,654
Disposals	–	–	–	(1,126)	(12)	(1,970)	(3,108)
Adjustment on revaluation	(1,966)	42,477	–	–	–	–	40,511
At 31 March 2007 and 1 April 2007	83,304	94,295	43,754	110,845	225,140	20,091	577,429
Additions	–	–	1,302	52,071	2,575	2,553	58,501
Transfers	–	8,873	(8,873)	–	–	–	–
Transfer to investment properties	(28,205)	–	–	–	–	–	(28,205)
Exchange difference	3,738	8,033	4,375	3,961	11,207	1,095	32,409
Disposals	–	–	–	(499)	–	(450)	(949)
Adjustment on revaluation	(2,051)	8,528	–	–	–	–	6,477
At 31 March 2008	56,786	119,729	40,558	166,378	238,922	23,289	645,662
Accumulated depreciation and impairment							
At 1 April 2006	–	–	–	28,423	51,820	17,476	97,719
Charge for the year	1,966	1,245	–	21,570	27,616	1,035	53,432
Exchange difference	–	–	–	293	510	7	810
Disposals	–	–	–	(686)	(4)	(1,322)	(2,012)
Adjustment on revaluation	(1,966)	(1,245)	–	–	–	–	(3,211)
At 31 March 2007 and 1 April 2007	–	–	–	49,600	79,942	17,196	146,738
Charge for the year	2,051	1,417	–	25,292	24,508	1,486	54,754
Impairment loss #	–	–	–	–	36,200	–	36,200
Exchange difference	–	–	–	2,053	3,189	986	6,228
Disposals	–	–	–	(333)	–	(450)	(783)
Adjustment on revaluation	(2,051)	(1,417)	–	–	–	–	(3,468)
At 31 March 2008	–	–	–	76,612	143,839	19,218	239,669

12. FIXED ASSETS (continued)

	Medium term leasehold buildings HK$'000	Medium term leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and motor vehicles HK$'000	Total HK$'000
Carrying amount							
At 31 March 2008	56,786	119,729	40,558	89,766	95,083	4,071	405,993
At 31 March 2007	83,304	94,295	43,754	61,245	145,198	2,895	430,691

\# During the year, certain items of machinery and equipment of the Texnology Nano business segment, which were planned in construction of a nano-technology processing plant for upstream textile products, were impaired with reference to the recoverable amounts of these items. The recoverable amounts of these items of machinery and equipment were determined at value in use. The discount rate used in estimating the amount of the value in use was 10%. Due to the tightness in national environmental protection policies by the PRC government, an impairment of HK$36,200,000 was charged to the income statement for the year ended 31 March 2008 (2007: HK$Nil).

The analysis of the cost/valuation at 31 March 2008 of the above assets is as follows:

At cost	–	–	40,558	166,378	238,922	23,289	469,147
At valuation	56,786	119,729	–	–	–	–	176,515
	56,786	119,729	40,558	166,378	238,922	23,289	645,662

The analysis of the cost/valuation at 31 March 2007 of the above assets is as follows:

At cost	–	–	43,754	110,845	225,140	20,091	399,830
At valuation	83,304	94,295	–	–	–	–	177,599
	83,304	94,295	43,754	110,845	225,140	20,091	577,429

12. FIXED ASSETS (continued)

An analysis of the cost/valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2008 HK$'000	2007 HK$'000
Held under medium term leases in Hong Kong (note i)	**31,144**	26,721
Held under medium term leases in Macau (note i)	**5,053**	4,273
Held under medium term leases in the PRC (note ii)	**140,318**	146,605
	176,515	177,599

Note:

(i) The Group's medium term leasehold land and buildings situated in Hong Kong and Macau were revalued as at 31 March 2008 by Castores Magi Asia Limited ("Castores"), an independent firm of professional valuers, on market value basis.

(ii) The Group's medium term leasehold land and buildings situated in the PRC were revalued as at 31 March 2008 by Castores on market value and depreciated replacement cost basis.

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, their carrying amounts as at 31 March 2008 would have been HK$113,166,000 (2007: HK$126,253,000).

At 31 March 2008, the Group's leasehold land and buildings situated in the PRC and Hong Kong, with an aggregate carrying amounts of HK$140,318,000 and HK$16,600,000 (2007: HK$146,605,000 and HK$17,029,000) respectively, were pledged to secure banking facilities granted to the Group (note 23(a)(iii)).

The carrying amounts of the machinery and equipment of the Group held under finance leases at 31 March 2008 amounted to HK$Nil (2007: HK$26,080,000). The furniture, fixtures and motor vehicles of the Group held under finance leases at 31 March 2008 amounted to HK$229,000 (2007: HK$308,000).

13. PREPAID LAND LEASE PAYMENTS

	HK$'000
Cost	
At 1 April 2006	92,517
Exchange difference	124
At 31 March 2007	92,641
Transfer to investment properties	(13,720)
Exchange difference	319
At 31 March 2008	79,240
Accumulated amortisation	
At 1 April 2006	1,057
Charge for the year	2,115
At 31 March 2007	3,172
Charge for the year	2,193
Transfer to investment properties	(638)
At 31 March 2008	4,727
Carrying amount	
At 31 March 2008	74,513
At 31 March 2007	89,469

	2008 **HK$'000**	2007 HK$'000
Analysed for reporting purposes as:		
Non-current assets	**72,639**	87,290
Current assets	**1,874**	2,179
	74,513	89,469

13. PREPAID LAND LEASE PAYMENTS (continued)

The Group's prepared land lease payments are analysed as follows:

	2008 HK$'000	2007 HK$'000
Held under medium-term leases		
In Hong Kong	**71,081**	72,876
Outside Hong Kong	**3,432**	16,593
	74,513	89,469

At 31 March 2008, the Group's prepaid land lease payments situated in the PRC and Hong Kong held under medium term leases, with an aggregate carrying value of HK$3,432,000 and HK$71,081,000 (2007: HK$16,593,000 and HK$72,876,000) respectively, were pledged to secure banking facilities granted to the Group (note 23(a)(iii)).

14. INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
At beginning of year	**28,453**	9,430
Additions	**–**	22,973
Disposals	**(5,200)**	–
Fair value gains/(losses)	**41,034**	(3,950)
Transfer from fixed assets	**28,205**	–
Transfer from prepaid land lease payments	**13,082**	–
At end of year	**105,574**	28,453

The Group's investment properties are situated in the PRC and Hong Kong and held under medium term leases.

At 31 March 2008, the investment properties were revalued by Castores on market value basis.

At 31 March 2008, the Group's investment properties situated in the PRC and Hong Kong with an aggregate carrying amounts of HK$72,994,000 and HK$32,300,000 (2007: HK$Nil and HK$22,973,000) were pledged to secure banking facilities granted to the Group. (note 23(a)(iii)).

15. INTANGIBLE ASSETS

	Technical know-how HK$'000	Goodwill HK$'000 (note a)	Total HK$'000
Cost			
At 1 April 2006	19,508	115,700	135,208
Additions	–	52,400	52,400
Exchange difference	781	–	781
At 31 March 2007	20,289	168,100	188,389
Additions	–	60,938	60,938
Exchange difference	2,031	–	2,031
At 31 March 2008	22,320	229,038	251,358
Accumulated amortisation and impairment			
At 1 April 2006	6,494	9,998	16,492
Amortisation for the year	3,378	–	3,378
Exchange difference	260	–	260
At 31 March 2007	10,132	9,998	20,130
Amortisation for the year	4,465	–	4,465
Exchange difference	1,013	–	1,013
At 31 March 2008	15,610	9,998	25,608
Carrying amount			
At 31 March 2008	6,710	219,040	225,750
At 31 March 2007	10,157	158,102	168,259

15. INTANGIBLE ASSETS (continued)

Note:

(a) Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill at year ended had been allocated as follows:

	2008 HK$'000	2007 HK$'000
Texnology Nano business (note b)	**194,540**	133,602
Fashion garments business (note c)	**24,500**	24,500
	219,040	158,102

(b) The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management covering a period of three years. The discount rate applied to cash flow projections is 15% (2007: 13%) and cash flows beyond three years are extrapolated using a growth rate of 3% (2007: 3%) which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

(c) The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management covering a period of three years. The discount rate applied to cash flow projections is 15% (2007: 12%) and cash flows beyond three years are extrapolated using a growth rate of 3% (2007: 3%) which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2008 HK$'000	2007 HK$'000
Share of net assets	**13,183**	13,639
Goodwill (note c)	**55,947**	55,947
Impairment losses (note c)	**(64,681)**	(19,681)
	4,449	49,905

Note:

(a) The amounts due to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(b) Particulars of the Group's principal jointly-controlled entities at 31 March 2008 are as follows:

Company	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Texcote International Limited	British Virgin Islands	46%	Licensing of proprietary rights over a Swedish Texcote Technology
Texcote Technology (International) Limited	Hong Kong	46%	Investment holding
Texcote Chemical (Shenzhen) Company Limited (德高化工科技(深圳)有限公司)	PRC	46%	Trading of nano processing materials
Hong Kong Green Nature Environmental Engineering Limited	Hong Kong	30%	Environmental protection projects

(c) The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The fair value of goodwill at 31 March 2008 is determined by income projections with reference to cash flow forecast of the jointly-controlled entities derived from the most recent financial budgets approved by management covering a period of three years. The discount rate applied to the cash flow forecast is 15% (2007: 15%) and cash flows beyond three years are extrapolated using a growth rate of 3% (2007: 3%) which is determined with reference to the market condition of its products.

During the year, the jointly-controlled entities had not met the performance expectation of the Group's management in the area of overseas business after years of investment. To better utilize resources and save costs vis-à-vis future investment returns, the Group had decided to focus on promoting the business of nano-processing for textile products in the PRC and hence a further impairment of goodwill of HK$45,000,000 was charged to the consolidated income statement for the year ended 31 March 2008 (2007: HK$Nil).

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 HK$'000	2007 HK$'000
Unlisted equity securities, at fair value		
At beginning of year	32,953	72,194
Disposals	(24,953)	(39,241)
At end of year	8,000	32,953

The fair value of the unlisted securities is determined by reference to the agreed amount at disposal subsequent to year end.

18. PREPAYMENTS AND DEPOSITS

	2008 HK$'000	2007 HK$'000
Prepayments/deposits for projects development	325,746	–
Prepayments for purchase of land use rights	–	5,220
Deposits for purchase of machinery and equipment	42,641	38,765
Rental deposits	15,480	16,120
	383,867	60,105

19. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	**272,857**	208,464
Finished goods	**99,232**	104,730
	372,089	313,194

20. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the balance sheet date, based on invoice dates, is as follows:

	2008 HK$'000	2007 HK$'000
Within 30 days	**113,132**	111,765
31 days to 60 days	**82,904**	67,989
61 days to 90 days	**51,366**	91,828
91 days to 120 days	**80,733**	41,886
121 days to 150 days	**6,585**	6,037
Over 150 days	**12,077**	530
	346,797	320,035

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

20. TRADE RECEIVABLES (continued)

The carrying amounts of the trade receivables are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
HK$	**243,412**	236,924
United States dollars ("US$")	**58,773**	50,522
RMB	**44,612**	32,589
	346,797	320,035

At 31 March 2008, trade receivables of approximately HK$105,597,000 (2007: HK$62,096,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables, based on the due date, is as follows:

	2008 HK$'000	2007 HK$'000
Within 30 days	**70,079**	18,216
31 days to 60 days	**20,390**	31,571
61 days to 90 days	**3,594**	10,864
91 days to 120 days	**4,106**	12
121 days to 150 days	**244**	209
Over 150 days	**7,184**	1,224
	105,597	62,096

21. OTHER RECEIVABLES

The carrying amounts of other receivables of approximately HK$44,566,000 (2007:HK$74,407,000) are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
HK$	44,556	31,118
RMB	10	43,289
	44,566	74,407

22. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the balance sheet date, based on invoice dates, is as follows:

	2008 HK$'000	2007 HK$'000
Within 30 days	75,155	57,589
31 days to 60 days	43,510	35,311
61 days to 180 days	42,075	45,447
	160,740	138,347

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
HK$	42,126	31,757
US$	94,881	87,972
RMB	23,733	18,618
	160,740	138,347

23. INTEREST-BEARING BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans	130,959	173,898
Export loans	29,677	–
Trust receipt loans	266,379	188,912
Term and syndicated loans	463,500	326,000
	890,515	688,810
Bank loans repayable:		
Within one year	59,733	94,968
In the second year	7,588	7,184
In the third to fifth years, inclusive	23,781	22,434
Over five years	39,857	49,312
	130,959	173,898
Export loans repayable within one year	29,677	–
Trust receipt loans repayable within one year	266,379	188,912
Term and syndicated loans repayable:		
Within one year	225,000	216,500
In the second year	4,500	105,000
In the third to fifth years, inclusive	234,000	4,500
	463,500	326,000
	890,515	688,810
Portion classified as current liabilities	(580,789)	(500,380)
Non-current portion	309,726	188,430

23. INTEREST-BEARING BORROWINGS (continued)

Note:

(a) Banking facilities

At 31 March 2008 the Group's banking facilities were secured by partly/all of the follows:

(i) Corporate guarantees of the Company;

(ii) Joint and several corporate guarantees provided by the Group's subsidiaries;

(iii) Charge over certain leasehold land and buildings, prepaid land lease payments and investment properties of the Group (notes 12, 13 and 14).

(b) According to the term and syndicated loans agreements, the Group is required to comply with certain financial covenants throughout the term life of the facilities and in addition, the controlling shareholders (Leung Ngok, Leung Shing, ACE Target Inc. and any discretionary trust) are required to own in aggregate, either directly or indirectly, at least 30% of the total issued share capital of the Company during the term life of these facilities.

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

	2008	2007
Bank loans		
– floating rate (HK$19,099,000 (2007: HK$20,984,000))	**Prime rate minus 1%**	Prime rate minus 1%
– floating rate (HK$12,100,000 (2007: HK$Nil))	**RMB Benchmark Interest Rate**	–
– floating rate (remaining)	**HIBOR plus 0.975% to 1.5%**	HIBOR plus 0.95% to 1.5%
Export loans		
– floating rate	**HIBOR plus 1% to 2.25%**	–
Trust receipt loans		
– floating rate	**HIBOR plus 1% to 2.25%**	HIBOR plus 0.7% to 2%
Term and syndicated loans		
– floating rate as per most recent rate fixing (HK$234,000,000 (2007: HK$Nil))	**2.96%**	–
– floating rate (remaining)	**HIBOR plus 1%**	HIBOR plus 1%

23. INTEREST-BEARING BORROWINGS (continued)

(d) The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
HK$	517,581	623,213
RMB	12,100	–
US$	360,834	65,597
	890,515	688,810

24. FINANCE LEASES PAYABLES

At 31 March 2008 the total future minimum lease payments under finance leases and their present values are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Amounts payable:				
Within one year	73	1,431	58	1,279
In the second to fifth years, inclusive	177	250	162	220
Total minimum finance lease payments	250	1,681	220	1,499
Future finance charges	(30)	(182)		
Total net finance lease payables	220	1,499		
Portion classified as current liabilities	(58)	(1,279)		
Non-current portion	162	220		

Finance costs related to obligations under finance leases are charged to the income statement at effective interest rates of 3.25% (2007: 3.25% to HIBOR plus 2%) per annum on the outstanding balances of lease liabilities.

The carrying amounts of finance lease payables are denominated in HK$.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Derivative components of convertible notes HK$'000 (note 27)	Warrants HK$'000 (note a)	Total HK$'000
At date of issue	8,754	–	8,754
Fair value (gain)/loss	(7,039)	2,892	(4,147)
At 31 March 2008	**1,715**	**2,892**	**4,607**

Note:

(a) On 16 November 2007, the Company and the subscriber entered into the subscription agreement in respect of the placement of 151,685,393 warrants of the Company at an initial conversion price of HK$0.356 per shares subject to adjustments upon occurrence of certain events. The subscription period is for three years from the date of issue of the Warrants.

(b) The fair values of the derivative financial instruments are determined using the Black-Scholes option pricing model. The significant inputs into the models were as follows:

	Derivative components of convertible notes	Warrants
Share price of underlying shares	HK$0.170	HK$0.170
Exercise price	HK$0.341	HK$0.356
Expected volatility	54.02%	54.02%
Expected life	1.92 years	1.92 years
Risk-free rate	1.238%	1.238%
Expected dividend yield	3.45%	3.45%

26. DEFERRED TAX

	Accelerated tax depreciation	Revaluation surplus on land and buildings	Revaluation surplus on investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax liabilities				
At 1 April 2006	14,000	–	–	14,000
Charge to equity	–	10,000	–	10,000
Charge to income statement	777	–	–	777
At 31 March 2007	14,777	10,000	–	24,777
Charge to equity	–	4,777	–	4,777
(Credit)/charge to income statement	(7,600)	–	8,000	400
At 31 March 2008	**7,177**	**14,777**	**8,000**	**29,954**

At 31 March 2008 the Group has unused tax losses of approximately HK$90 million (2007: HK$70 million) available for offset against future profits of some subsidiaries. No deferred tax asset has been recognised due to the unpredictability of future taxable profit streams of these subsidiaries. All losses may be carried forward indefinitely.

27. CONVERTIBLE NOTES

Pursuant to a subscription agreement dated 19 October 2006, the Company issued zero coupon convertible notes with principal value of HK$60,000,000 on 19 October 2006 ("CN1"). The holders of CN1 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.288 each, subject to adjustments, at any time between the date of issue of CN1 and 19 October 2011. Any convertible notes not converted before 19 October 2011 will be redeemed at 137.69 per cent of its principal amount on 19 October 2011. During the year, part of the CN1 with principal value of HK$30,000,000 have been converted into ordinary shares of the Company.

Pursuant to a subscription agreement dated 16 November 2007, the Company issued convertible notes with principal value of HK$24,000,000 on 15 November 2007 ("CN2"). The holders of CN2 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.341 each, subject to adjustments, at any time between the date of issue of CN2 and 15 November 2010. Any convertible notes not converted before 15 November 2010 will be redeemed at 135.00 per cent of its principal amount on 15 November 2010. CN2 bears interests at 6 months HIBOR plus 1% per annum payable semi-annually until their settlement date.

The net proceeds received from the issue of CN1 and CN2 have been split between the liability component, derivative component and equity component as follows:

27. CONVERTIBLE NOTES (continued)

	CN1	CN2	Total
	HK$'000	HK$'000	HK$'000
Nominal values of convertible notes issued	60,000	24,000	84,000
Transaction costs	(2,944)	(1,276)	(4,220)
Equity component	(6,040)	–	(6,040)
Derivative component	–	(8,754)	(8,754)
Liability component at date of issue	51,016	13,970	64,986
Liability component at date of issue	51,016	–	51,016
Interest charged	2,409	–	2,409
Liability component at 31 March 2007	53,425	–	53,425
Liability component at date of issue	–	13,970	13,970
Interest charged	3,420	2,098	5,518
Conversion into shares	(27,443)	–	(27,443)
Liability component at 31 March 2008	**29,402**	**16,068**	**45,470**

The interest charged for the year for CN1 and CN2 are calculated by applying effective interest rates of 10.04% and 28.53% respectively to the liability components since the loan notes were issued.

28. SHARE CAPITAL

		Number of shares		Ordinary share capital	
	Note	**2008**	2007	**2008**	2007
				HK$'000	HK$'000
Authorised:					
Ordinary shares of HK$0.10 each		**5,000,000,000**	5,000,000,000	**500,000**	500,000
Issued and fully paid:					
At beginning of year		**2,937,698,250**	2,679,698,250	**293,770**	267,970
Issue of shares on					
– Exercise of share options	(note a)	**127,500,000**	–	**12,750**	–
– On placement	(note b)	**400,000,000**	258,000,000	**40,000**	25,800
– Conversion of convertible notes	(note c)	**104,166,666**	–	**10,416**	–
At end of year		**3,569,364,916**	2,937,698,250	**356,936**	293,770

Note:

(a) During the year ended 31 March 2008, the Company issued 127,500,000 ordinary shares of HK$0.10 each in relation to the exercise of the share options at an exercise price of HK$0.255 per share. The difference between the issue price and par value totalling approximately HK$19,763,000 was credited to share premium. In addition, the portion of share based compensation reserve in relation to the exercise of the share options exercised during the year of approximately HK$4,853,000 was transferred to the Company's share premium account.

(b) On 13 February 2007 and 13 June 2007, the Company and a placing agent entered into a placing agreement in respect of the placement of 258,000,000 and 400,000,000 ordinary shares of HK$0.10 each to independent investors at a price of HK$0.29 and HK$0.36 per share respectively. The placement completed on 23 February 2007 and 25 June 2007 and the premium on the issue of shares, amounting to approximately HK$47,095,000 and HK$99,370,000 net of share issue expenses respectively, were credited to the Company's share premium account.

(c) On 12 July 2007, convertible notes with total nominal value of HK$30,000,000 were converted into ordinary shares of the Company. The conversion was conducted on conversion price of HK$0.288 per ordinary shares of the Company. Totally 104,166,666 new ordinary shares of HK$0.1 each were issued as a result of the conversion.

(d) **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

28. SHARE CAPITAL (continued)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The Group monitors capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interests, retained earnings and other reserves) and some forms of long term debts.

	2008 HK$'000	2007 HK$'000
Amounts due to jointly-controlled entities	122	113
Interest-bearing borrowings	890,515	688,810
Finance leases payables	220	1,499
Convertible notes	45,470	53,425
Less: Cash and cash equivalents	(439,348)	(549,182)
Net debt	496,979	194,665
Total equity	1,628,518	1,267,661
Term loan repayable in the third to fifth years, inclusive	234,000	4,500
Adjusted capital	1,862,518	1,272,161
Debt-to-adjusted capital ratio	27%	15%

All new ordinary shares issued during the year rank pari passu in all respects with the existing shares of the Company.

29. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The share option scheme of the Company (the "Scheme") was adopted at the special general meeting of the Company on 9 July 2002 for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme should, unless otherwise terminated or amended, remain in force for 10 years from 17 July 2002.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 31 August 2007 (i.e. not exceeding 351,191,691 shares of the Company). Share options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in the general meeting for refreshing the 10% limit under the Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

29. SHARE-BASED PAYMENTS (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of the share options which must be trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

At 31 March 2008, the total number of the Company's shares currently available for issue under the Scheme is 351,191,691 (2007: 550), representing 9.8% (2007: 0%) of the issued share capital of the Company shares after the refreshment of the scheme mandate limit.

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**177,500,000**	**0.255**	–	–
Granted during the year	**–**		177,500,000	0.255
Exercised during the year	**(127,500,000)**	**0.255**	–	
Outstanding at the end of the year	**50,000,000**	**0.255**	177,500,000	0.255
Exercisable at the end of the year	**50,000,000**	**0.255**	177,500,000	0.255

29. SHARE-BASED PAYMENTS (continued)

The weighted average closing price of the Company's shares at the business days immediately before the dates on which the options were exercised during the year was HK$0.412 for employees and HK$0.360 for a supplier.

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.5 years (2007: 2.5 years).

During the year ended 31 March 2007, 177,500,000 share options were granted to certain directors, employees and a supplier on 6 November 2006. The exercise period is 3 years commencing on the date of grant of the share option. The estimated fair values of the options on that date were HK$0.038 per option.

These fair values were calculated using the "Black-Scholes" pricing model. The inputs into the model were as follows:

	2007
Weighted average share price	HK$0.226
Weighted average exercise price	HK$0.255
Expected volatility	25.13%
Expected life	3 years
Risk free rate	4.71%
Expected dividend yield	4.00%

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

The Group recognised total expenses of approximately HK$Nil (2007: HK$6,757,000) related to equity-settled share based payments transactions during the year.

30. BALANCE SHEET AND RESERVES OF THE COMPANY

(a) BALANCE SHEET

	2008 HK$'000	2007 HK$'000
Non-current assets		
Investments in subsidiaries	81,310	81,310
Current assets		
Prepayments, deposits and other receivables	449	118
Amounts due from subsidiaries	1,257,385	1,151,787
Bank balances	467	20,442
	1,258,301	1,172,347
Current liabilities		
Accruals and other payables	2,138	1,324
Amounts due to subsidiaries	265,860	380,511
Derivative financial instruments	4,607	–
	272,605	381,835
Net current assets	985,696	790,512
Total assets less current liabilities	1,067,006	871,822
Non-current liabilities		
Convertible notes	45,470	53,425
Net assets	1,021,536	818,397
Capital and reserves		
Share capital	356,936	293,770
Reserves	664,600	524,627
Total equity	1,021,536	818,397

30. BALANCE SHEET AND RESERVES OF THE COMPANY (continued)

(b) RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserves HK$'000	Share-based compensat-ion reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	423,365	40,358	–	–	23,282	487,005
Issue of shares on placement	49,020	–	–	–	–	49,020
Issue of convertible notes	–	–	6,040	–	–	6,040
Expenses incurred in connection with placement	(1,925)	–	–	–	–	(1,925)
Recognition of share-based payments	–	–	–	6,757	–	6,757
Profit for the year	–	–	–	–	17,925	17,925
Dividends paid	–	–	–	–	(40,195)	(40,195)
At 31 March 2007	470,460	40,358	6,040	6,757	1,012	524,627
At 1 April 2007	470,460	40,358	6,040	6,757	1,012	524,627
Issue of shares on						
– Exercise of share options	24,616	–	–	(4,853)	–	19,763
– Placement	104,000	–	–	–	–	104,000
– Conversion of convertible notes	20,047	–	(3,020)	–	–	17,027
Expenses incurred in connection with placement	(4,630)	–	–	–	–	(4,630)
Profit for the year	–	–	–	–	3,813	3,813
At 31 March 2008	**614,493**	**40,358**	**3,020**	**1,904**	**4,825**	**664,600**

31. SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries at 31 March 2008 are as follows:

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:				
Lucky Formosa International Group Limited	British Virgin Islands	US$10,000	100%	Investment holding
Indirectly held:				
Radix Development Company Limited	Hong Kong	HK$1,000	100%	Property holding and investment holding
Foshan U-Right Garment Co., Ltd. (佛山市佑威服裝有限公司)	The PRC	US$2,000,000	100%	Manufacturing and sale of fashion garments
Sky Fox Investment Limited	Hong Kong	HK$10,000,000	100%	Property holding and investment holding
U-Right Garments Limited	Hong Kong	HK$10,000,000	100%	Retailing of fashion garments
U-Right (HK) Limited	Hong Kong	HK$1,000,000	100%	Provision of management services
U-Right Fashion Limited	Hong Kong	HK$1	100%	Provision of management services
U-Right International Limited	Hong Kong	HK$20	100%	Provision of management services
U-Right Macau Commercial Offshore Limited	Macau	MOP25,000	100%	Manufacturing and sale of fashion garments
U-Right Enterprise Limited	Hong Kong	HK$10,000	100%	Property holding

31. SUBSIDIARIES (continued)

(a) Particulars of the Company's principal subsidiaries at 31 March 2008 are as follows (continued):

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued):				
Lakeyre Holdings Limited	British Virgin Islands	US$100	100%	Retailing of fashion garments
U-Right Investments (China) Limited	Hong Kong	HK$1	100%	Property holding
Uni-Capital Limited	Hong Kong	HK$20,000,000	100%	Provision of management services
Eternal Plan Limited	Hong Kong	HK$100	55%	Investment holding
New Asia Associates Limited	British Virgin Islands	US$3,000	100% (2007: 90%)	Investment holding
New Asia Associates (HK) Limited	Hong Kong	HK$1	100% (2007: 90%)	Property holding
Texnology Nano (BVI) Limited	British Virgin Islands	US$100	100% (2007: 90%)	Investment holding
Texnology Nano International Limited	British Virgin Islands	US$1,000	100% (2007: 90%)	Sub-licensing of proprietary rights over a Swedish Texcote Technology
Texnology Nano Textile (China) Limited	Hong Kong	HK$1,000	100% (2007: 90%)	Investment holding and processing of textile products and trading of related raw material

31. SUBSIDIARIES (continued)

(a) Particulars of the Company's principal subsidiaries at 31 March 2008 are as follows (continued):

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued):				
Foshan U-Right Nano Textile Limited (佛山市佑威納米紡織有限公司)	The PRC	US$35,000,000	100% (2007: 90%)	Processing of textile products
Nanchang Texnology Nano Textile Limited (南昌市德科納米紡織有限公司)	The PRC	US$10,000,000	100% (2007: 90%)	Processing of textile products
霈熙服裝商貿(上海)有限公司	The PRC	HK$10,000,000	100%	Retailing of fashion garments
艾博特服飾商貿(上海)有限公司	The PRC	HK$10,000,000	55%	Retailing of fashion garments
Jiangsu Texnology Nano Textile Limited (江蘇德科納米紡織有限公司)	The PRC	HK$100,000,000	100% (2007: 90%)	Processing of textile products

(b) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The principal places of operations of the subsidiaries are the same as their places of incorporation/ registration, except for Lakeyre Holdings Limited and Texnology Nano Textile (China) Limited which operate in the PRC.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

On 8 September 2006, the Group acquired 55 percent interest of Eternal Plan Limited ("Eternal Plan") for a cash consideration of HK$30,000,000. At time of acquisition 艾博特服飾貿易(上海)有限公司 was a wholly owned subsidiary of Eternal Plan. Eternal Plan was engaged in investment holding during the year and 艾博特服飾貿易(上海)有限公司 was principally engaged in the retailing of garment fashion.

The fair value of the identifiable assets and liabilities of Eternal Plan acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	2007 HK$'000
Net assets acquired:	
Bank and cash balances	10,000
Less: Minority interests	(4,500)
Goodwill	24,500
Consideration paid, satisfied in cash	30,000
Cash acquired	(10,000)
Net cash outflow	20,000

The goodwill arising on the acquisition of Eternal Plan is attributable to the anticipated profitability of the distribution of the Group's products in the new markets.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of minority interests

On 15 August 2006, the Group acquired an additional 8 percent interests in Texnology Nano (BVI) Limited ("Texnology Nano") for a cash consideration of HK$31,000,000, increasing its ownership from 92 to 100 percent.

On 31 March 2008, the Group acquired an additional 10 percent interest in New Asia Associate Limited ("NAA") from various minority shareholders for cash considerations of approximately totalling HK$80,349,000 (including dividend paid of HK$14,600,000) increasing its ownership from 90 to 100 percent.

The carrying amounts of NAA's and Texnology Nano's net assets acquired as at their dates of acquisition for the years ended 31 March 2008 and 2007 are as follows:

	NAA 2008 HK$'000	Texnology Nano 2007 HK$'000
Net assets acquired:		
Minority interests	**19,411**	3,100
Goodwill	**60,938**	27,900
Consideration paid, satisfied in cash	**80,349**	31,000

(c) Major non-cash transaction

During the year, the Group sold the available-for-sale financial assets with total consideration of HK$26,000,000 (2007:HK$48,981,000) in which HK$20,898,000 (2007: HK$26,000,000) was not yet received and included in prepayments, deposits and other receivables.

33. CONTINGENT LIABILITIES

Other than disclosed elsewhere in these financial statements, the Group did not have any significant contingent liabilities as at 31 March 2008 (2007: HK$Nil).

34. CAPITAL COMMITMENTS

At 31 March 2008, the Group had the following capital commitments:

	2008 HK$'000	2007 HK$'000
Contracted but not provided for		
– construction of factory buildings and office premises	–	46,048
– purchases of machinery and equipment	62,233	56,575
	62,233	102,623

35. LEASE COMMITMENTS

At 31 March 2008, the Group had total future minimum lease receivables and payables under non-canellable operating leases falling due as follows:

	2008 HK$'000	2007 HK$'000
As lessor:		
Within one year	1,187	1,364
In the second to fifth years inclusive	–	1,166
	1,187	2,530
As lessee:		
Within one year	84,907	66,505
In the second to fifth years inclusive	87,541	76,026
Over five years	2,504	3,346
	174,952	145,877

36. RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid:

(i) rental expenses of HK$84,000 (2007: HK$84,000) to Mr. Leung Ngok and Mr. Leung Shing for properties jointly owned by them.

(ii) rental expenses of HK$180,000 (2007: HK$720,000) and HK$600,000 (2007: HK$Nil) to Mr. Leung Shing and Miss Yim Yuk Lam (spouse of Mr Leung Ngok) respectively.

Mr. Leung Ngok and Mr. Leung Shing are executive directors of the Company. The properties leased were occupied by the Group as retail outlets (i) and directors' quarters (ii).

(b) During the year, the Group had the following transactions with Texcote Technology (International) Limited, a jointly-controlled entity:

	2008 **HK$'000**	2007 HK$'000
Purchases	**2,345**	2,802
Licensing fee paid	**2,000**	2,000

(c) The compensation to the Group's key management personnel is disclosed in note 11 to the financial statements.

37. EVENT AFTER BALANCE SHEET DATE

As detailed in the Company's press announcement dated 2 July 2008, a wholly owned subsidiary of the Company had entered into an agreement (the "Facility Agreement") relating to a term loan facility of HK$151,000,000 with a syndicate of banks. The termination date of the Facility Agreement is the date falling 3 years after the date of the Facility Agreement.

The Facility Agreement has imposed an obligation that Mr. Leung Ngok, his family members, related trusts and companies controlled by him shall at all times remain the direct or indirect beneficial owner of at least 25% of the total issued share capital of the Company and the beneficial owner of the single largest shareholding block in the total issued share capital of the Company. A breach of the aforesaid obligation will constitute an event of default under the Facility Agreement. Upon the occurrence of an event of default under the Facility Agreement, the loans outstanding, together with the interest accrued thereon, may be immediately due and payable.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 August 2008.

u-right international holdings limited

(incorporated in bermuda with limited liability)

32nd floor, billion plaza, no.8 cheung yue street, cheung sha wan, kowloon, hong kong

電話 telephone: (852) 3102 1228　傳真 facsimile: (852) 3102 9028

佑威國際控股有限公司 (於百慕達註冊成立之有限公司) 香港九龍長沙灣長裕街8號億京廣場32樓