EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED

鷹美（國際）控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2368)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

The board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 together with the comparative figures for the corresponding year in 2007 and the relevant explanatory notes as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
REVENUE		**860,487**	519,103
Cost of sales		**(658,131)**	(387,006)
Gross profit		**202,356**	132,097
Other income and gains		**18,678**	8,085
Selling and distribution costs		**(15,231)**	(5,117)
Administrative expenses		**(65,144)**	(48,583)
PROFIT BEFORE TAX	*4*	**140,659**	86,482
Tax	*5*	**(16,001)**	(8,763)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**124,658**	77,719
DIVIDENDS	*6*	**89,307**	51,240
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**26.6**	18.2
Diluted		**N/A**	N/A

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET
31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**268,353**	202,895
Prepaid land lease payments		**72,971**	66,056
Prepayments and deposits for property, plant and equipment		**6,237**	854
Goodwill	*8*	**26,112**	—
Total non-current assets		**373,673**	269,805
CURRENT ASSETS			
Inventories		**123,508**	52,002
Accounts and bills receivable	*9*	**146,582**	58,593
Prepayments, deposits and other receivables		**8,469**	5,886
Pledged deposits		**-**	5,518
Cash and cash equivalents		**274,585**	252,648
Total current assets		**553,144**	374,647
CURRENT LIABILITIES			
Accounts and bills payable	*10*	**55,599**	29,662
Accrued liabilities and other payables		**61,295**	25,798
Tax payable		**16,851**	13,922
Total current liabilities		**133,745**	69,382
NET CURRENT ASSETS		**419,399**	305,265
TOTAL ASSETS LESS CURRENT LIABILITIES		**793,072**	575,070
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,903**	1,252
Net assets		**780,169**	573,818
EQUITY			
Issued capital		**4,997**	4,270
Reserves		**725,204**	543,928
Proposed final dividend		**49,968**	25,620
Total equity		**780,169**	573,818

NOTES

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings, which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand, except when otherwise indicated.

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

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretations has had no material effect on the financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*
HK(IFRIC)-Int 11	*HKFRS 2 - Group and Treasury Share Transactions*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for their services provided in accordance with the Company's share option scheme, the interpretation has had no effect on the financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on the financial statements.

(e) HK(IFRIC)-*Int 10 Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The interpretation has had no material effect on the financial statements.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and segment results by geographical segments is as follows:

	Segment revenue		**Segment results**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**474,553**	297,097	**105,589**	77,008
Japan	**147,331**	115,353	**33,425**	28,930
South Korea	**58,891**	33,079	**14,812**	7,427
Hong Kong	**25,380**	14,621	**6,779**	3,858
Others	**154,332**	58,953	**41,751**	14,874
	860,487	519,103	**202,356**	132,097
Interest and other unallocated income			**18,678**	8,085
Unallocated expenses			**(80,375)**	(53,700)
Profit before tax			**140,659**	86,482
Tax			**(16,001)**	(8,763)
Profit for the year attributable to equity holders of the Company			**124,658**	77,719

No information was disclosed in respect of the Group's business segments as the Group is solely engaged in the manufacture and trading of sportswear and garments.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**658,131**	387,006
Auditors' remuneration	**1,450**	1,100
Depreciation	**31,316**	26,310
Amortisation of prepaid land lease payments	**2,015**	1,698
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**146,643**	97,237
Pension scheme contributions (defined contribution schemes)	**7,200**	3,717
Less: Forfeited contributions	**(128)**	(85)
Net pension scheme contributions	**7,072**	3,632
Total employee benefits expenses	**153,715**	100,869
Minimum lease payments under operating leases in respect of land and buildings	**3,585**	2,250
Write-off of items of property, plant and equipment	—	819
Gain on disposal of items of property, plant and equipment and prepaid land lease payments	**(12,244)**	—
Foreign exchange differences, net	**1,325**	4,022

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

汕頭市鷹美製衣有限公司 ("EN (Shantou)"), Shantou SEZ Far East (International) Garments Factory Co., Ltd. ("FE (Shantou)"), 裕美(汕頭)製衣有限公司 ("YM (Shantou)") and 裕鷹(汕頭)製衣有限公司 ("YY (Shantou)") are entitled to be exempted from corporate income tax in the People's Republic of China (the "PRC") for the first two profit-making years and a 50% reduction in corporate income tax for the succeeding three years. Moreover, under the relevant tax laws and regulations in Mainland China, EN (Shantou), FE (Shantou), YM (Shantou) and YY (Shantou) may set off losses incurred by them in a financial year against profits made by them in the succeeding financial year or years, subject to a maximum of five financial years.

According to the confirmation obtained by the Group from the PRC tax bureau, the first profit-making year of both EN (Shantou) and FE (Shantou) was the year ended 31 December 2002, and the first profit-making year of YY (Shantou) was the year ended 31 December 2005.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New PRC Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises. The State Council of the PRC passed an implementation guidance note (the "Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%.

For enterprises which were established before the publication of the New PRC Tax Law and were entitled to preferential treatments of a reduced corporate income tax rate ("CIT rate") granted by relevant tax authorities, the new CIT rate might be gradually increased from the preferential rate to 25% within 5 years after the effective date of the New PRC Tax Law on 1 January 2008. For the regions that enjoy a reduced CIT rate at 15%, the rate would gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to the grandfathering rules stipulated in the Implementation Guidance and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current tax charge for the year:		
Hong Kong	**6,348**	5,229
Elsewhere	**7,796**	782
Underprovision of current tax in respect of prior years	**-**	3,599
Deferred	**1,857**	(847)
Total tax charge for the year	**16,001**	8,763

6. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim — HK7 cents (2007: HK6 cents) per ordinary share based on 499,680,000 (2007: 427,000,000) shares in issue	**34,978**	25,620
Proposed final – HK10 cents (2007: HK6 cents) per ordinary share based on 499,680,000 (2007: 427,000,000) shares in issue	**49,968**	25,620
Additional 2007 final dividend	**4,361**	—
	89,307	51,240

The proposed final dividend for the year is based on the number of shares in issue as at the reporting date, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The additional 2007 final dividend represents final dividend payable to shares issued subsequent to the approval of the consolidated financial statements for the year ended 31 March 2007 by the directors.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company for the year of HK$124,658,000 (2007: HK$77,719,000), and the weighted average number of 469,297,000 (2007: 427,000,000) ordinary shares in issue during the year.

No diluted earnings per share is presented for both current and last years as there were no dilutive potential ordinary shares in existence during these years.

8. GOODWILL

	Group
	HK$'000
Cost at 1 April 2007	–
Acquisition of subsidiaries *(Note 11)*	26,112
Cost and carrying amount at 31 March 2008	26,112

The Group's goodwill was wholly allocated to a cash-generating unit engaged in the manufacture and trading of sportswear and garments (the "Unit"). The recoverable amount of the Unit has been determined from the value in use, which is calculated with reference to cash flow projections based on a five-year period financial budgets approved by senior management. The financial budgets are prepared reflecting actual and prior year performance and development expectations. The key assumptions for the cash flow projections are the budgeted gross margins which is the average gross profit margin achieved in the year immediately before budgeted years and the discount rate of 5%, which is before tax and reflects specific risks relating to the Unit. The growth rate used to extrapolate the cash flows of the Unit is 30% for the first two years and 10% for the succeeding three years. The directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Unit to exceed the aggregate recoverable amount. Since the recoverable amount of the Unit is higher than its carrying amount, the directors consider there was no impairment of the goodwill at the balance sheet date.

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts receivable mainly relate to a few recognised and creditworthy customers. The credit period is generally for a period of 30 to 45 days. The Group seeks to maintain strict control over its outstanding receivable to minimise the credit risk. Overdue balances are regularly reviewed by the management of the Group. The accounts and bills receivable are non-interest-bearing and their carrying amounts approximate to their fair values.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**102,361**	57,845
31 to 60 days	**29,351**	608
61 to 90 days	**8,412**	102
Over 90 days	**6,458**	38
	146,582	58,593

The above balance is neither past due nor impaired. The financial assets included in the above balance relate to receivable for which there was no recent history of default.

Included in the Group's accounts and bills receivable is the amount due from 裕程(昆山)體育用品有限公司, a subsidiary of Yue Yuen Industrial (Holdings) Limited, a substantial shareholder of the Company, of HK$2,907,000 (2007: HK$2,818,000), which is repayable on similar credit terms to those offered to the major non-related customers of the Group.

10. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**52,577**	28,788
91 to 180 days	**1,331**	302
181 to 365 days	**1,312**	553
Over 365 days	**379**	19
	55,599	29,662

Included in the accounts and bills payable is accounts payable of HK$1,282,000 (2007: HK$645,000) due to 汕頭市先達服裝輔料廠有限公司, a related company controlled by a relative of Mr. Chung Yuk Sing, the Chairman and an executive director of the Company, which is repayable on similar credit terms to those offered by other major non-related suppliers of the Group.

The accounts and bills payable are non-interest-bearing and are normally settled on 45-day terms. The carrying amount of accounts and bills payable approximate to their fair values.

11. BUSINESS COMBINATION

On 1 September 2007, the Group acquired the entire interest in Wayable International Inc. and its subsidiaries, namely, Maitex (EAG) Limited, Actex Garment Co., Limited and 惠來縣源瀚製衣有限公司 (collectively known as the "Wayable Group") (the "Acquisition"). The Wayable Group is engaged in the manufacture and trading of sportswear and garments. The purchase consideration for the Acquisition amounted to approximately HK$118,959,000, which was satisfied by the issue of an aggregate of 72,680,000 ordinary shares of HK$0.01 each in the share capital of the Company at an issue price of HK$1.56 per share by the Company and a cash consideration of approximately HK$4,322,000. The remaining balance of HK$1,256,000 was cost and expenses directly attributable to the Acquisition.

The fair values of the identifiable assets and liabilities and contingent liabilities of the Wayable Group as at the date of the Acquisition and the corresponding carrying amounts immediately before the Acquisition were as follows:

	Fair value recognised on the Acquisition *HK$'000*	Previous carrying amount *HK$'000*
Property, plant and equipment	61,527	40,269
Prepaid land lease payments	14,000	3,811
Inventories	5,144	5,144
Accounts and bills receivable	27,208	27,208
Prepayments, deposits and other receivable	4,062	4,062
Cash and bank balances	23,406	23,406
Accounts and bills payable	(3,992)	(3,992)
Accrued liabilities and other payable	(27,439)	(27,439)
Tax payable	(3,208)	(3,208)
Deferred tax liabilities	(7,861)	—
	92,847	69,261
Goodwill on the Acquisition	26,112	
Total net assets acquired	118,959	
Satisfied by:		
Issue of shares	113,381	
Cash	4,322	
Costs associated with the Acquisition	1,256	
	118,959	

An analysis of the net inflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000
Cash consideration	(4,322)
Costs associated with the Acquisition	(1,256)
Cash and bank balances acquired	23,406
Net inflow of cash and cash equivalents in respect of the Acquisition	17,828

The goodwill on the Acquisition represents value obtainable from synergies with the Group and opportunities for the Group to benefit from the Wayable Group's expertise in lean manufacturing and new markets provided by the Wayable Group.

Since the Acquisition, the Wayable Group contributed HK$44,443,000 to the Group's revenue and HK$6,957,000 to the Group's consolidated profit for the year ended 31 March 2008.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$919,324,000 and HK$136,694,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group achieved record high revenue of HK$860.5 million and net profit of HK$124.7 million in 2008, representing 65.8% and 60.4% growth as compared to 2007 respectively. Our management's vision on the development strategy for the Group together with our staff's united effort and devotion are the main contributors to the Group's outstanding performance in 2008 and also explain the reason our Group can outperform among our competitors in the competitive business environment.

Industry Review – Opportunities and Challenges

The PRC has played a vital part in our business since the PRC not only is our major production base but also the most important market of our Group. Starting from 2005, the PRC has become the largest market of the Group. The proportion of the Group's sales to the PRC market has risen from 26.1% in 2004 to over 50% in 2007. During the year under review, the proportion was 55.1%.

In the PRC, rising health awareness, growing affluence, rising popularity of sports and impact of the 2008 Beijing Olympics have been boosting demands for sportswear. According to ZOU Marketing, it is expected that the sportswear market of the PRC can achieve an annual growth of 23% for the years of 2005-2008 and 20% for the years of 2009-2012. This means the PRC continues to be a golden market in sportswear industry.

To capture the business opportunities, the Group has focused and will concentrate on the expansion of the PRC market. Apart from the benefit of strong demand and growth provided by the PRC market, the PRC market also provides revenue in Renminbi ("RMB"), which is a strongly-growing currency. According to the report conducted by Industrial and Commercial Bank of China Limited, RMB is expected to appreciate approximately 4-5% annually from 2008 to 2011. To mitigate the adverse effect of rising production costs partly brought about by appreciation of RMB, we believe increase in revenue in RMB may mitigate the situation by maintaining the balance of our sales and expenditure in the same currency. Furthermore, by increasing the purchase of raw materials not being settled in RMB in order to minimise the expenditure settled in RMB, we could further mitigate the adverse effect brought by appreciation of RMB to the Group.

A series of new policies and regulation launched by the PRC Government such as the corporate tax law and labour contract law also create a more competitive business environment. However, the tough operating environment of the PRC means only the well-prepared players can survive at the end. After years of transformation and consolidation, we have established a very solid foundation in term of strong financial status, advanced production technique and experienced management team for the Group to achieve continuous growth.

Business Review

In order to provide wider range of services to our customers, the Group, with the advancement of production technology, has been capable to engage in the production of high-valued products such as seam-seal and expand our product range by putting more resources on development of knitted products which at present only constitutes a small proportion of our sales.

With expertise in garment manufacturing and financial management, we has been sparing effort on optimising and consolidating the operational procedure, raising productivity, shortening production cycles and minimising the production cost. During the year, the Group continued implementing lean manufacturing (which is a way of production management aiming at reducing wastage, shortening the production process and minimising errors so as to raise the efficiency and achieve lower inputs with higher returns). As a result, our production management has been greatly improved. We has also upgraded our information technology system by establishing the ERP III (Enterprise Resources Planning) System with which the internal information can be transmitted on a more timely and accurate manner, and a more convenient and faster interaction with the customers and the suppliers can be created.

Our management is modest and willing to learn so that they keep actively acquiring updated knowledge and know-how in management through regularly participating in training courses. The Group also keeps offering training to our staff to ensure our management are well-equipped with extensive knowledge and experience, and adequate experienced managerial staff are available to cope with the future expansion.

Review on Results Performance

During the year under review, the Group broke its record in relation to revenue, gross profit and net profit. Revenue of the Group for the year ended 31 March 2008 increased by 65.8% to HK$860.5 million when compared to HK$519.1 million for the previous year. The Group's gross profit for 2008 was HK$202.4 million as compared to HK$132.1 million in 2007, representing an increase of 53.2%. The net profit for 2008 rose by 60.4% to HK$124.7 million against HK$77.7 million for 2007. The increase was mainly attributable to the strong growth in demand for sportswear products from existing and new customers. Diversification of products also played a role in contributing to the strong growth in revenue.

The gross profit margin in 2008 dropped by 1.9% to 23.5% from 25.4% in 2007. During the year, the Group gained HK$12.2 million from disposal of a residential property. Excluding the aforesaid non-operating gain, the Group's operating profit for 2008 increased by 48.4% to HK$128.4 million as compared to HK$86.5 million in 2007. The operating profit margin was 14.9% for 2008 as compared to 16.7% for 2007, representing a decrease of 1.8%. The drop in both gross profit margin and net profit margin was due to an increase in production and operating costs which were attributable to continuous appreciation of RMB, general inflation and increasing materials costs due to rising oil price.

Earnings per share of the Group for the year ended 31 March 2008 was HK26.6 cents compared to HK18.2 cents last year. The Board recommended payment of a final dividend of HK10 cents per share for the year ended 31 March 2008. Together with the interim dividend of HK7 cents per share already paid, the total dividend for the year was HK17 cents per share. The dividend payout ratio is 68.1% for 2008 against 71.5% (after the adjustment for additional 2007 final dividend) for 2007. The Group aims at maintaining a stable dividend payout policy in order to express our gratitude to the Shareholders for their continuous support to the Group.

Future Plan and Prospects

Our goal is to be one of the major business partners of the international sportswear brands. The Group needs to develop multi-national production bases in order to minimise production risk of changes in economic condition and government regulation. To achieve this purpose, the Group is looking for investment opportunities in the territories other than the PRC.

In the meantime, the gross domestic product ("GDP") of the PRC has achieved over 10% growth in the last five consecutive years. In the PRC, the ratios of rural and cities population have been getting closer and closer. The United Nations forecasts that more than 60% of the PRC's population would be living in the urban areas, which provides a solid ground for the PRC to be one of the major consumption markets in the world. Being one of the major consumption countries in the world, the PRC is the most promising of the emerging markets for the international sportswear brands. The PRC's sportswear market has experienced significant growth in recent years that the annual growth rate from 2003 to 2007 is approximately 27% while the Group has been experiencing double-digit growth in sales to the PRC market since 2004. That means the Group has been capable of capturing the growth to develop the PRC market and becoming one of the prominent players in the PRC sportswear market. As the Group has been operating in the PRC for years and familiarises with the rules and regulations in the PRC, we process the advantages of continuing to be a prominent player in the PRC sportswear market. Therefore, it is expected that the proportion of the Group's sales to the PRC market will continue to grow in the coming years.

Besides, over HK$200 million cash and unutilised banking facilities of HK$106 million in reserve provide the Group with adequate financial support to continuously invest by (i) expanding its productivity by establishing new factories or acquiring existing factories, (ii) achieving multi-national production bases by setting up production bases in overseas countries with supply of skilled labour at competitive costs and production facilities in order to lower the production costs, and (iii) equipping with advanced production machinery to improve production efficiency and shorten the production time.

Liquidity and Financial Resources

During the year under review, the Group continued to maintain a healthy liquidity position. The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. As at 31 March 2008, the Group had cash and cash equivalents amounted to HK$274.6 million mainly denominated in Hong Kong dollars, RMB and US dollars. (31 March 2007: HK$252.6 million). As at 31 March 2008, the Group had no outstanding borrowings (31 March 2007: nil). As at 31 March 2008, the Group had aggregate banking facilities of HK$106.0 million (31 March 2007: HK$137.2 million) which were secured by (i) corporate guarantees executed by the Company; and (ii) unlimited corporate guarantees executed by three subsidiaries of the Company. No banking facilities were utilised by the Group as at 31 March 2008 and 31 March 2007.

The management believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms. There is no material effect of seasonality on the Group's borrowing requirements.

As at 31 March 2008, the Group's gearing ratios represented by the Group's total liabilities as a percentage of the Group's total assets amounted to 15.8% (31 March 2007: 11.0%).

Foreign Exchange Risk Management

The Group has transactional currency exposures. Such exposures arise from substantial portion of sales and purchases by operating units in US dollars and RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB and US dollars. As the foreign currency risks generated from the sales and purchases can be set off with each other, the Group believes its exposure to exchange rate risk is minimal. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposures and will consider hedging the significant foreign currency exposures should the need arise.

Significant Investments

As at 31 March 2008, there was no significant investment held by the Group (31 March 2007: nil).

Material Acquisitions and Disposals

During the year, there was no material disposal of subsidiaries and associated companies. Details of the Acquisition during the year are set out in note 11 above.

Contingent Liabilities and Capital Commitments

As at 31 March 2008, the Group did not have any significant contingent liabilities (31 March 2007: nil).

The Group had the following capital commitments at the balance sheet date:

	As at 31 March 2008 *HK$'000*	As at 31 March 2007 *HK$'000*
Contracted, but not provided for:		
Construction of a factory	9,403	–
Purchases of computer equipment	1,496	570
	10,899	570

As at 31 March 2008, the Company has given corporate guarantees to banks to the extent of HK$106.0 million (31 March 2007: HK$137.2 million) for banking facilities granted to certain subsidiaries of the Company.

Employees and Remuneration Policies

As at 31 March 2008, the Group employed a total of approximately 6,900 employees including directors (31 March 2007: approximately 5,400). Total employee benefits expenses including directors' emoluments were HK$160.3 million for the year under review (31 March 2007: HK$105.0 million).

The employees are remunerated based on their work performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme and defined contribution retirement benefits scheme for the employees of the Group in Hong Kong and to the central pension scheme for the employees of the Group in the PRC.

PURCHASE, SALE OR REDEMPTION 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.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK10 cents per share (2007: HK6 cents) payable on 29 August 2008 to persons who are registered shareholders of the Company on 26 August 2008 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK7 cents per share (2007: HK6 cents), the total dividend for the financial year is HK17 cents per share (2007: HK12 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 August 2008 to 26 August 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 20 August 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2008, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for A.4.1 of the CG Code which stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of the Company's directors, the directors confirmed that they had complied with the required standard set out in the Model Code during the year.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2008, including the accounting principles adopted by the Group.

On Behalf of the Board
Chung Yuk Sing
Chairman

Hong Kong, 18 July 2008

As at the date of this announcement, the Board comprised nine executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Mr. Ku Yu Sun, Edward, Ms. Chen Li Ying, Mr. Kuo Tai Yu, Mr. Chang Wen Hsiang, Ms. Tsang Sau Fan, Mr. Chen Zhen Hao and Mr. Tsai Nai Kun and three independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Li Chi Chung and Mr. Cheng Yung Hui, Tony.