VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司

ANNUAL REPORT **2012** 年報

A BETTER TOMORROW

stock code 股份代號：539

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Ming Hung *(Chairman)*
Chen Tien Tui *(Chief Executive Officer)*
Lee Yuen Chiu, Andy
Choi Lin Hung

Independent Non-executive Directors

Kan Ka Hon
Phaisalakani Vichai (Andy Hung)
Kwok Sze Chi

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
CITIC Bank International Limited
China Construction Bank (Jiangmen Xinhui Sub-branch)
Bank of China (Jiangmen Xinhui Sub-branch)
Bank of America, N.A.
Mizuho Corporate Bank, Ltd.
United Overseas Bank Limited
Rabobank International
Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited
Wing Lung Bank Limited
Chinatrust Commercial Bank, Ltd.

Corporate Information

PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

BRANCH SHARE REGISTRARS IN HONG KONG

Tricor Secretaries Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

COMPANY WEBSITE

www.victorycity.com.hk

FINANCIAL HIGHLIGHTS AND SUMMARY

RESULTS

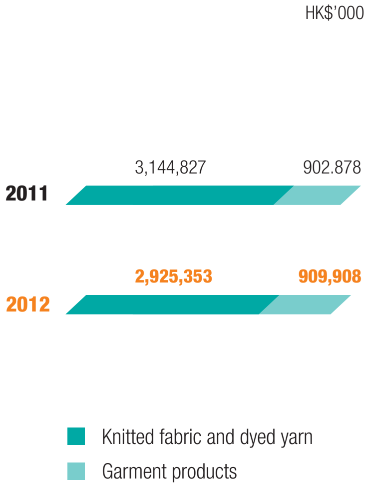
	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,835,261**	4,047,705	3,863,612	4,090,493	4,104,773
Profit before tax	**373,642**	369,983	369,901	258,032	387,873
Income tax expense	**(26,509)**	(21,765)	(32,325)	(17,120)	(18,519)
Profit for the year	**347,133**	348,218	337,576	240,912	369,354
Attributable to:					
Owners of the Company	**341,249**	334,015	314,627	216,865	341,788
Non-controlling interests	**5,884**	14,203	22,949	24,047	27,566
	347,133	348,218	337,576	240,912	369,354
Distributions	**96,986**	78,938	21,210	–	99,375

ASSETS AND LIABILITIES

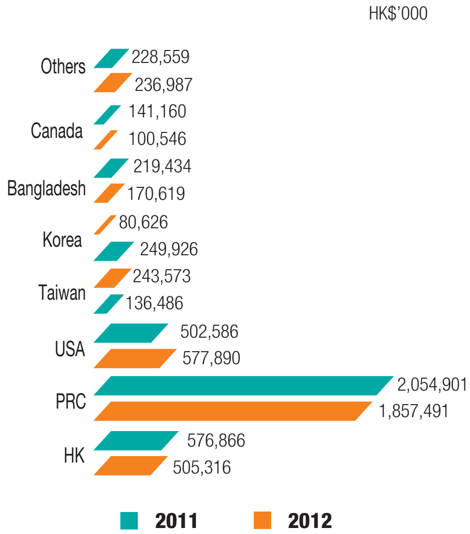
	At 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**7,244,923**	6,494,536	5,704,997	5,396,052	5,608,436
Total liabilities	**(2,586,485)**	(2,513,218)	(2,484,945)	(2,523,838)	(3,099,371)
	4,658,438	3,981,318	3,220,052	2,872,214	2,509,065
Equity attributable to:					
Owners of the Company	**4,421,909**	3,757,446	3,077,840	2,729,883	2,391,639
Non-controlling interests	**236,529**	223,872	142,212	142,331	117,426
	4,658,438	3,981,318	3,220,052	2,872,214	2,509,065

Financial Highlights and Summary

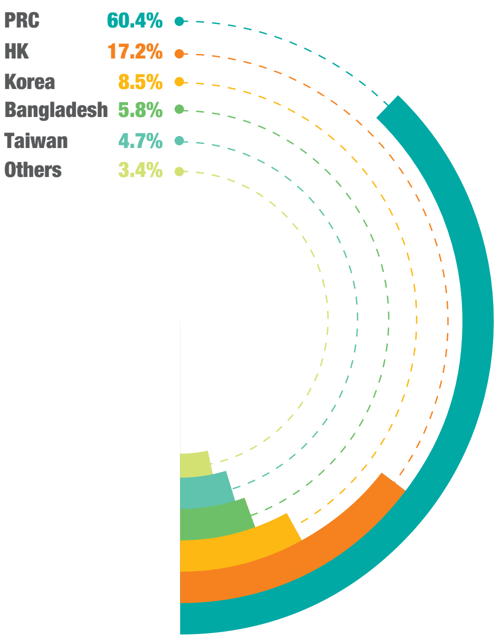
REVENUE BY BUSINESS SEGMENTS



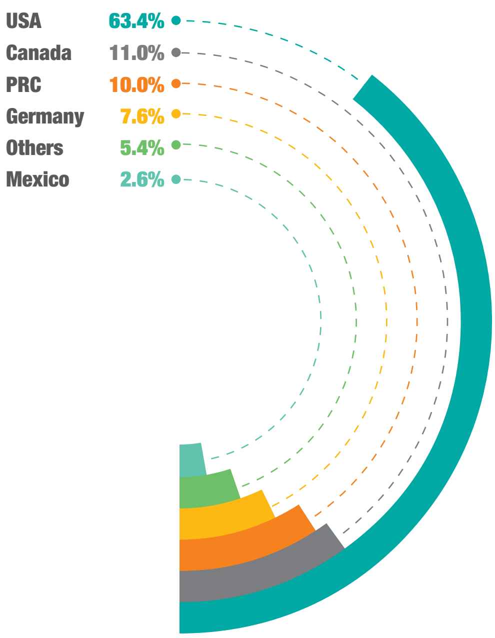
REVENUE BY GEOGRAPHICAL SEGMENTS



KNITTED FABRIC AND DYED YARN



GARMENT PRODUCTS



CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Victory City International Holdings Limited (the "Company") and its subsidiary companies (the "Group"), it is my pleasure to present to our shareholders the annual results for the year ended 31 March 2012.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK2.5 cents per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31 March 2012 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 7 September 2012 and also to recommend the offer to the Shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (the "Scrip Dividend Scheme"), subject to the approval of the Shareholders on the payment of final dividend at the annual general meeting (the "AGM") of the Company and the granting by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31 March 2012.

On condition that the payment of the above final dividend is approved by the Shareholders at the AGM, a circular containing details of the Scrip Dividend Scheme will be despatched to the Shareholders shortly after the AGM.

Chairman's Statement

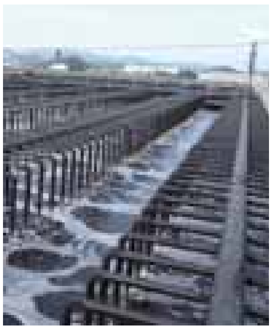
BUSINESS REVIEW

During the reporting period, the operating environment of global textile and garment industry had undergone severe challenges: diminished demand from export and domestic markets, sharp decline of cotton price and surging production costs in the People's Republic of China (the "PRC") due to inflation. All these unfavourable factors inevitably affected the Group's globalized business in terms of order book, cost control, and profitability.

For the year ended 31 March 2012, the Group's consolidated revenue was approximately HK$3,835 million, representing a drop of approximately 5.2% in comparison to the previous fiscal year (2011: HK$4,048 million). Profit attributable to owners of the Company was approximately HK$341 million, which included net gain on bargain purchase of acquisition of subsidiaries of approximately HK$83 million, net gain on fair value changes of derivative financial instruments and structured borrowings of approximately HK$11 million (2011: HK$16 million) and staff option expenses of approximately HK$11 million (2011: HK$8 million). Hence, profit from normal operations was approximately HK$251 million after adjusting the above-mentioned non-operating gains and losses, representing a decrease of approximately 23.5% from the previous fiscal year (2011: HK$328 million). Earnings per share was HK24.1 cents (2011: HK29.5 cents).

Textile Business

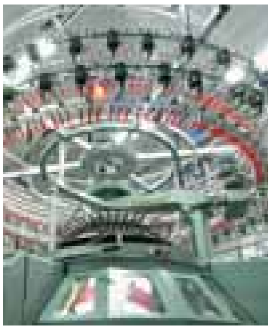
Production and sales of knitted fabric and dyed yarn are the principal operations of the Group and accounted for approximately 76.3% of the Group's consolidated revenue, while the remaining approximately 23.7% was from the garment business.



For the year under review, the biggest challenge was the heavy slump in the price of cotton, the major raw materials of textile manufacturing. In contrast to the escalating cotton price in the previous fiscal year, the price dropped by over 40% from the peak point by the end of the year. The Group immediately altered the procurement strategy by ceasing bulk cotton purchase to minimise losses. Nevertheless, the drop in the cotton price affected our profitability adversely in a longer term as it limited our bargaining power in the selling price of our products.

During the year, the lingering uncertainties in the economy of United States of America (the "USA" or "US") and European debt crisis, as well as the tightening of fiscal policies against inflation by the government of the PRC also weakened the global consumer sentiment. Buyers were more prudent in placing order both in terms of size and frequency. As a result, the sales volume decreased by approximately 12% for the year under review, and the diminished order size had reduced production output and cost-efficiency, thereby shrinking the profit margins of the Group.

Chairman's Statement



Garment Business

For the year under review, revenue of our garment arm, Ford Glory Group Holdings Limited ("FGG") rose slightly to approximately HK$910 million, representing a marginal growth of approximately 0.8% in comparison to the previous corresponding year. The gross profit of FGG decreased to approximately HK$143 million, representing an approximately 7.4% decrease as compared with last year.

Profit attributable to owners of FGG was approximately HK$7 million, representing an approximately 57.9% decrease as compared to that of last year. This was mainly attributable to (i) the provision made for share options granted by FGG under its share option scheme during the year; (ii) the decrease in average selling price and profit margin due to macroeconomic downturn; and (iii) the increase in preliminary expenses associated with the launching of new production facilities in Cambodia. The profit for the year of FGG included share-based payment of approximately HK$11 million, whereas the profit for last year included listing expenses of approximately HK$13 million and share-based payment of approximately HK$8 million. If the share-based payment and the listing expenses were excluded in respective years, the adjusted profit attributable to owners of FGG for the year would be approximately HK$18 million, representing a drop of approximately 52.2% as compared with same last year (2011: HK$39 million).

Major Developments

Upstream Acquisition

In order to better prepare for the anticipated gradual economy recovery, the Group endeavoured to optimise our value chain and operation efficiency. On 29 July 2011, the Group successfully completed the acquisition of our long term yarn supplier – Nanjing Synergy Textiles Limited ("Nanjing Synergy"). Management believes that such acquisition brings synergy and cost benefit to our vertical integrated production, and expects that the synergy will be reflected in the margins in the coming fiscal year. Currently, Nanjing Synergy supplies less than 20% of the Group's yarn purchases. In the coming three years, the Group intends to further invest in its yarn spinning capacity to lift Nanjing Synergy's contribution to the level of 40%, which can further improve the profit margin of the Group.

A HK$1,388 million syndicated loan obtained

On 15 March 2012, the Group obtained a syndicated loan facility of HK$1,388 million for a term of three and a half years from a syndicate of 19 international and regional banks at an interest rate of HIBOR plus 2.93% per annum. The loan was mainly used for refinancing the syndicated loan of HK$928 million obtained in 2009, and for general working capital. With the loan in place, the Directors are confident of meeting our business objectives and effectively planning for our future expansions.

Chairman's Statement





PROSPECTS

Since September 2011, the cotton price has been stabilised at the level of RMB19,800 per tonnage. Given the "2012 Temporary Cotton Purchasing and Storage Plan" ("2012年度棉花臨時收儲預案") announced by the PRC government that essentially guarantees the base price of cotton at RMB20,400 per tonnage (from September 2012 to March 2013), coupled with the sufficient cotton supply in the global market, the possibility of fluctuation in cotton price has been narrowed. In turn, the Group's order book has been gradually normalised in 2012/2013 and the financial position has also turned healthier with lower raw material inventory at hand.

Even though the global economy is full of uncertainties, the Directors believe that the demand for textile and garment products exists in different economic cycles. During the difficult times in the past two years, a considerable number of players have left the market, which has cut down the total capacity in the industry but that has strengthened our leading position in such market consolidation. To propel forward, the Directors constantly reviews and adjusts our development strategies to mitigate any threats that would hinder our growth. The Group has also been proactively implementing cost control initiatives such as upstream integration and plant relocation, as well as strategies to explore new business ventures to vitalise the garment and retailing segment. All these measures together will drive the Group forward during this challenging time, and more importantly will solidify our foundation against economic uncertainties and for a long term growth.

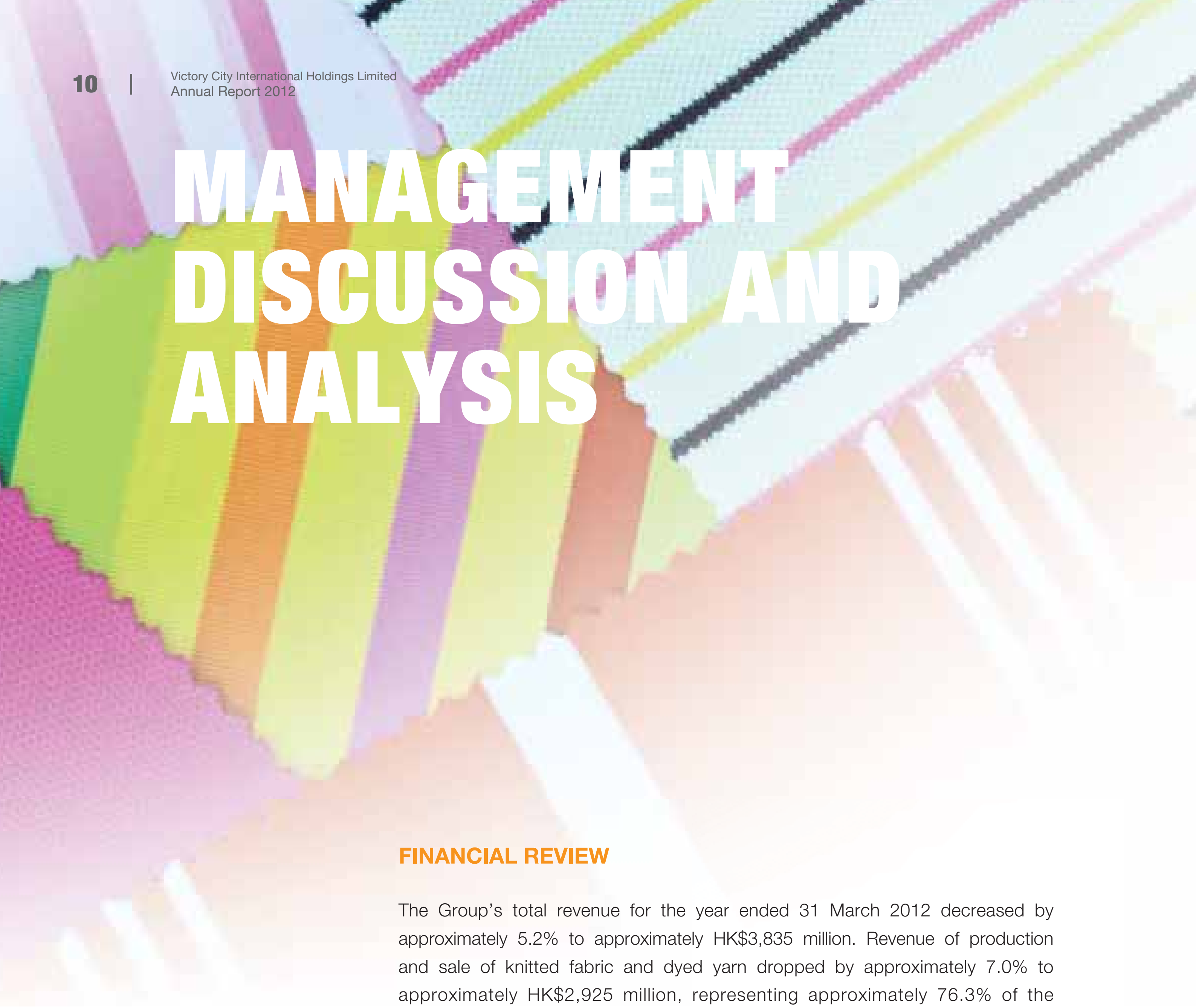
The Group will remain focused on our vision of being one of the leading textile and garment players in the world and will strive to deliver the best results over different economic and market cycles.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and staff for their dedication and commitment during a difficult year. I would also like to extend my deepest thanks to our customers, suppliers, business partners and shareholders for their continuous support.

Li Ming Hung
Chairman

Hong Kong
28 June 2012



MANAGEMENT DISCUSSION AND ANALYSIS

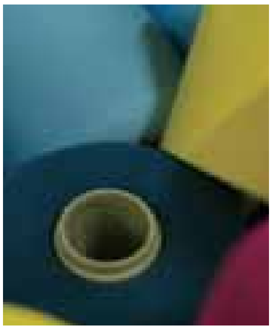
FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2012 decreased by approximately 5.2% to approximately HK$3,835 million. Revenue of production and sale of knitted fabric and dyed yarn dropped by approximately 7.0% to approximately HK$2,925 million, representing approximately 76.3% of the consolidated revenue whereas revenue of garment sourcing, manufacturing and exporting business was approximately HK$910 million, slightly increased by approximately 0.8% as compared with last year and representing approximately 23.7% of the consolidated revenue.

During the year under review, cotton price dropped drastically by over 40% from the peak point which affected the profitability of the Group. In addition, surging labour costs and fuel costs together with the appreciation of Renminbi added pressure to the operating environment. Gross profit margin for the Group was approximately 18.7% as compared with approximately 19.0% of the previous year.

Other gains and losses mainly composed of the fair value changes of derivative financial instruments. For the year ended 31 March 2012, there was a gain of approximately HK$16.2 million (2011: HK$15.7 million).

Management Discussion and Analysis

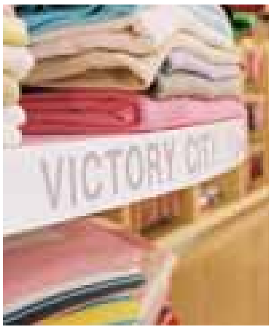


Administrative expenses increased from approximately HK$280.3 million in 2011 to approximately HK$325.1 million in 2012 mainly due to a share-based payment of approximately HK$11 million for granting of share options to staff of a subsidiary and additional operating expenses of the newly established factories in Nanjing, Cambodia and Jordan.

Finance costs increased from approximately HK$53.4 million in 2011 to approximately HK$64.2 million in 2012, mainly due to the increase in interest rates of both local and PRC banks. The Group has tried its best endeavour in obtaining favourable banking facilities with its bankers so as to reduce its finance costs.

Liquidity and Financial Resources

As at 31 March 2012, the Group had total assets of approximately HK$7,244,923,000 (2011: HK$6,494,536,000) which were financed by current liabilities of approximately HK$2,013,138,000 (2011: HK$1,723,700,000), long term liabilities of approximately HK$573,347,000 (2011: HK$789,518,000) and shareholders' equity of approximately HK$4,421,909,000 (2011: HK$3,757,446,000). The current ratio was approximately 2.1 (2011: 2.4) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders funds was approximately 11% (2011: 23%). All of the Group's borrowings were at floating rate basis.



The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion. Should other opportunities arise requiring additional funding, the Directors believe that the Group is in a good position to obtain financing on favourable terms.

Foreign Exchange and Interest Rate Risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest-bearing bank borrowings of the Group were HIBOR based Hong Kong dollar borrowings with maturity due within five years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international banks.

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Renminbi and US dollars. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk, the Group had entered into appropriate hedging arrangements in accordance with the Group's risk management policies.

Management Discussion and Analysis

Capital Expenditure

During the year, the Group invested approximately HK$142 million on additions to property, plant and equipment.

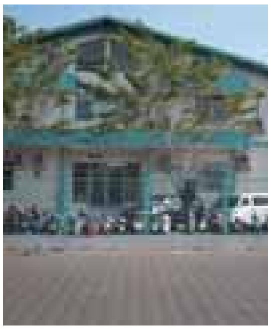
As at 31 March 2012, the Group had capital commitments of approximately HK$61 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

Charges on Assets

As at 31 March 2012, certain property, plant and equipment, prepaid lease payments and investment property of the Group with net book value of approximately HK$158 million (2011: HK$55 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2012, total number of employees of the Group were approximately 165 in Hong Kong and Macau, approximately 2 in the USA and Canada, approximately 1,120 in Indonesia, approximately 470 in Cambodia, approximately 950 in Jordan, and approximately 5,000 in the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.



The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management an appropriate incentive interest for the growth of the Group.

Major Customers and Suppliers

In the year under review, sales to the five largest customers accounted for 21.4% of the total revenue for the year and sales to the largest customer included therein accounted for 8.8%.

Purchase from the five largest suppliers accounted for 24.1% of the total purchases for the year and purchase from the largest supplier included therein accounted for 7.3%.

None of the Directors, their respective associates (as defined in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) or Shareholders who own more than five percent of the issued share capital of the Company has any interest in the Group's five largest customers during the year under review.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Ming Hung, aged 61, is the Chairman of the Company and a co-founder of the Group. He has over 35 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group. Mr. Li is currently a non-executive director of FGG, a subsidiary of the Company listed on the Main Board of the Stock Exchange.

Mr. Chen Tien Tui, aged 63, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 33 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group. Mr. Chen is currently a non-executive director of FGG. He is an independent non-executive director of China Lilang Limited which is a company listed on the Main Board of the Stock Exchange.

Mr. Lee Yuen Chiu, Andy, aged 47, is an Executive Director of the Company. He has over 26 years experience in the textile industry and is responsible for the overall management of the sales and production of the Group. Mr. Lee joined the Group in 1997.

Mr. Choi Lin Hung, aged 50, is an Executive Director of the Company. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years banking experience and 6 years management experience in garment and textile industry. Mr. Choi is currently the Chairman, Chief Executive Officer and an executive director of FGG.

Profiles of Directors and Senior Management

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 61, graduated from The University of Hong Kong and is a qualified accountant. He is an independent non-executive director of Easyknit Enterprises Holdings Limited, which is a company listed on the Main Board of the Stock Exchange. Mr. Kan has extensive experience in corporate finance, treasury and accounting and has over 30 years experience at management level in listed companies. Mr. Kan joined the Group in 1996.

Mr. Phaisalakani Vichai (Andy Hung), aged 64, is the executive director and chief financial officer of Willas-Array Electronics (Holdings) Limited, a company listed on the Singapore Exchange Limited. He graduated from Minnesota State University at Mankato, USA and is a chartered accountant in Canada. He has worked for an international accounting firm for 11 years and has extensive experience in finance and corporate management with major electronics and garments corporations. Mr. Hung joined the Group in 1996.

Mr. Kwok Sze Chi, aged 57, currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers and the deputy chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators. Having served the securities industry for over 30 years, Mr. Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr. Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok joined the Group in 2006. Mr. Kwok is an executive director of Bright Smart Securities & Commodities Group Limited which is a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Lee Chung Shing, aged 45, is the Financial Controller and Company Secretary of the Group. Mr. Lee is also the Company Secretary of FGG. He is an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in 1998 and has over 23 years experience in the accounting and finance sector including an international accounting firm and a company listed on the Stock Exchange.

Mr. Ng Tsze Lun, aged 57, is the Marketing Director of Ford Glory International Limited. Mr. Ng joined the Group in 2001 and has over 36 years experience in garment manufacturing and sourcing areas, he is responsible for overseeing the daily operation and marketing of the garment segment.

Mr. Sy Wing Shuen, aged 58, is the Sales Manager of the Group. He has over 37 years experience in the textile industry and is responsible for the sales and marketing function of the Group. Mr. Sy joined the Group in 1999.

Mr. Chan Ling Kai, aged 39, is the General Manager of Champion Fortune Asia Limited. Mr. Chan joined the Group in 2003 and is responsible for the sales and marketing function of the yarn dyeing segment. Mr. Chan is the son of Mr. Chen Tien Tui, the Chief Executive Officer of the Company.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The principal activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 33. The Directors recommend the payment of a final dividend of HK2.5 cents per share, in cash with a scrip dividend option to the Shareholders whose names appear on the register of members on 7 September 2012 amounting to approximately HK$38,684,000. Details of the dividends for the year are set out in note 12 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 31 March 2012, the register of members of the Company will be closed from 5 September 2012 to 7 September 2012 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the final dividend for the year ended 31 March 2012, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on 4 September 2012.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$141,532,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2012, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$928,080,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:
Mr. Li Ming Hung *(Chairman)*
Mr. Chen Tien Tui *(Chief Executive Officer)*
Mr. Lee Yuen Chiu, Andy
Mr. Choi Lin Hung

Independent Non-executive Directors:
Mr. Kan Ka Hon
Mr. Phaisalakani Vichai (Andy Hung)
Mr. Kwok Sze Chi

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. Li Ming Hung, Mr. Lee Yuen Chiu, Andy and Mr. Kwok Sze Chi will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other Directors continue in office.

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

The independent non-executive Directors have been appointed for a specific term subject to retirement by rotation as required by the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" in this report and note 37 to the consolidated financial statements, no contracts of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Company.

CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Listing Rules. The independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms, or on terms no less favorable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the independent non-executive Directors, these transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that were fair and reasonable so far as the shareholders of the Company are concerned;

(iii) either (a) in accordance with the terms of the agreements; or (b) where there are no such agreements, on terms no less favourable than those available to or from independent third parties; and

(iv) within the relevant cap amounts as agreed by the Stock Exchange.

In addition to the connected transactions as set out in note 37 to the consolidated financial statements, certain subsidiaries of the Group had transactions with subsidiaries of FGG which is a non-wholly owned subsidiary of the Company. These transactions are also disclosed as connected transactions in accordance with the requirements of the Listing Rules as follows:

	2012 HK$'000	2011 HK$'000
Sale of fabric	101,657	36,467
Sale of yarn	4,458	1,379
Supply of steam and electricity	4,131	3,674

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 March 2012, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been 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 in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	351,962,000 ordinary Shares (L) (note 2)	22.75% (note 24)
	Victory City Company Limited (note 17)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	50%
	Victory City Overseas Limited (note 17)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	39.4%
	Ford Glory Group Holdings Limited (note 17)	Founder of a trust	3,512,080 ordinary shares of HK$0.01 each (L) (note 2)	0.80%
	Ford Glory Group Holdings Limited (note 17)	Beneficial owner	277,360 ordinary shares of HK$0.01 each (L)	0.06%
Chen Tien Tui	The Company	Founder of a trust	351,962,000 Shares (L) (note 3)	22.75% (note 24)
	The Company	Beneficial owner	1,854,000 Shares (L)	0.12%
	Victory City Company Limited (note 17)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	50%
	Victory City Overseas Limited (note 17)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	39.4%
	Ford Glory Group Holdings Limited (note 17)	Founder of a trust	3,512,080 ordinary shares of HK$0.01 each (L) (note 3)	0.80%
	Ford Glory Group Holdings Limited (note 17)	Beneficial owner	309,000 ordinary shares of HK$0.01 each (L)	0.07%

Directors' Report

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Choi Lin Hung	The Company	Beneficial owner	7,980,000 Shares (L)	0.52%
	Victory City Overseas Limited (note 17)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	21.2%
	Ford Glory Group Holdings Limited (note 17)	Interest of controlled corporation	317,552,000 ordinary shares of HK$0.01 each (L) (note 4)	72.5%
	Sure Strategy Limited (note 17)	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (note 5)	49%
	Ford Glory Holdings Limited (note 17)	Interest of controlled corporation	100 shares of US$1.00 each (L) (note 6)	100%
	Brilliant Fashion Inc. (note 17)	Interest of controlled corporation	100 common shares of no par value (L) (note 11)	100%
	CSG Apparel Inc. (note 17)	Interest of controlled corporation	One common stock of CAD1.00 (L) (note 7)	100%
	Ford Glory International Limited (note 17)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (note 12)	100%
	Glory Time Limited (note 17)	Interest of controlled corporation	70 ordinary shares of HK$1.00 each (L) (note 13)	70%
	Mayer Apparel Limited (note 17)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (note 10)	51%
	PT. Victory Apparel Semarang (note 17)	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) (note 9)	100%
	Surefaith Limited (note 17)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 12)	100%
	Top Star Limited (note 17)	Interest of controlled corporation	2 ordinary shares of HK$1.00 each (L) (note 12)	100%
	Top Value Inc. (note 17)	Interest of controlled corporation	200 common shares of no par value (L) (note 11)	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Value Plus (Macao Commercial Offshore) Limited (note 17)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (note 14)	100%
	Victory Apparel (Jordan) Manufacturing Company Limited (note 17)	Interest of controlled corporation	50,000 ordinary shares of JD$1.00 each (L) (note 8)	100%
	Wealth Choice Limited (note 17)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 12)	100%
	福之源貿易(上海)有限公司(notes 17 and 19)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (note 7)	100%
	Gojifashion Inc. (note 18)	Interest of controlled corporation	100 common shares of no par value (L) (note 11)	50%
	Happy Noble Holdings Limited (note 17)	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) (note 12)	70%
	Sky Winner Investment Limited (note 17)	Interest of controlled corporation	100 ordinary shares of HK$1.00 each (L) (note 15)	100%
	福源創業信息咨詢服務(深圳)有限公司 (notes 17 and 20)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (note 7)	100%
	Rocwide Limited (note 17)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 12)	100%
	江門冠暉制衣有限公司(note 17)	Interest of controlled corporation	Registered capital of HK$30,000,000 (L) (note 16)	100%
	One Sino Limited (note 17)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (note 12)	100%
	Ford Glory (Cambodia) Manufacturing Limited (note 17)	Interest of controlled corporation	Registered capital of US$1,000,000 (L) (note 21)	100%
	藝田貿易(上海)有限公司(note 17)	Interest of controlled corporation	Registered capital of HK$5,000,000 (L) (note 22)	100%

Directors' Report

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Global Trend Investments Limited (note 17)	Interest of controlled corporation	1,100,000 ordinary shares of US$1.00 each (L) (note 8)	100%
	Jerash Garments and Fashions Manufacturing Company Limited (note 17)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (note 23)	100%
Phaisalakani Vichai	The Company	Beneficial owner	520,000 Shares (L)	0.03%

Notes:

1. The letter "L" represents the Directors' interests in the shares of the Company or its associated corporations.

2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family.

3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.

4. These shares were held by Merlotte Enterprise Limited and Sure Strategy Limited, of which Sure Strategy Limited was owned as to 49% by Merlotte Enterprise Limited, a wholly-owned company of Mr. Choi Lin Hung, and as to 51% by Victory City Investments Limited, a wholly-owned subsidiary of the Company.

5. These shares were held by Merlotte Enterprise Limited, a wholly-owned company of Mr. Choi Lin Hung.

6. These shares were held by Ford Glory Group Holdings Limited.

7. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

8. These shares were beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

9. These shares were beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

10. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.

11. These common shares were beneficially owned by Ford Glory Holdings Limited.

12. These shares were beneficially owned by Ford Glory Holdings Limited.

13. Glory Time Limited is 70% owned by Ford Glory Holdings Limited.

14. This quota capital was beneficially owned by Ford Glory Holdings Limited.

15. These shares were held by Happy Noble Holdings Limited.

16. The registered capital was beneficially owned as to 40% by Ford Glory Holdings Limited and as to 60% by Rocwide Limited.

17. These companies are subsidiaries of the Company.

18. Although this company is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

19. Ford Glory Trading (Shanghai) Limited is the unofficial English translation of 福之源貿易（上海）有限公司.

20. Ford Glory (Shenzhen) International Ltd. is the unofficial English translation of 福源創業信息咨詢服務（深圳）有限公司.

21. These shares were held by One Sino Limited.

22. This registered capital was beneficially owned by Sky Winner Investment Limited.

23. These shares were held by Global Trend Investments Limited.

24. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately hold over 30% of the voting share capital of the Company, which complied under the condition of syndicated loan.

Save as disclosed above in this report, as at 31 March 2012, none of the directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (with 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code.

Directors' Report

DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person	Number of Shares (note 1)	Capacity	Approximate % of interest
Pearl Garden Pacific Limited	351,962,000 (L)	Beneficial owner (note 2)	22.75%
Cornice Worldwide Limited	351,962,000 (L)	Interest of controlled corporation (note 2)	22.75%
Madian Star Limited	351,962,000 (L)	Beneficial owner (note 3)	22.75%
Yonice Limited	351,962,000 (L)	Interest of controlled corporation (note 3)	22.75%
Trustcorp Limited	703,924,000 (L)	Trustee (notes 2, 3 & 4)	45.49%
Newcorp Ltd.	703,924,000 (L)	Interest of controlled corporation (notes 2, 3 & 4)	45.49%
Ho Yuen Mui, Shirley	351,962,000 (L)	Interest of spouse (note 5)	22.75%
Or Kwai Ying	353,816,000 (L)	Interest of spouse (note 6)	22.87%
Templeton Asset Management Limited	226,605,053 (L)	Investment manager	14.64%

Notes:

1. The letter "L" represents the person's interests in the Shares.

2. These shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.

3. These shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.

4. Trustcorp Limited is wholly owned by Newcorp Ltd.

5. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung.

6. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.

Save as disclosed above, so far as is known to the Directors, as at 31 March 2012, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the shares of the Company during the year.

Directors' Report

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

Save as disclosed in note 30 to the consolidated financial statements in respect of the Company's share option scheme, there is no contract of significance subsisting as at 31 March 2012 in which a Director is or was materially interested, either directly or indirectly.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2012.

AUDITOR

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

On behalf of the Board

Li Ming Hung
Chairman

Hong Kong
28 June 2012

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions ("Code Provisions") of the "Code on Corporate Governance Practices" ("Code") as set out in Appendix 14 to the Listing Rules.

Throughout the year ended 31 March 2012, the Company had complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors and senior management of the Group on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors and senior management of the Group, all directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by directors and senior management throughout the year ended 31 March 2012.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is currently composed of four executive Directors comprising Mr. Li Ming Hung as the chairman, Mr. Chen Tien Tui as the chief executive officer of the Company, Mr. Lee Yuen Chiu, Andy and Mr. Choi Lin Hung; and three independent non-executive Directors comprising Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi. The biographical details of the Directors are set out on pages 13 to 14 of the annual report of the Company for the year ended 31 March 2012. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. Each independent non-executive Director is appointed for a term of two years.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. During the year, the Board has convened four regular meetings and conducted the following activities at such regular meetings:

(1) approved the interim and final results, interim and annual report, and matters to be considered at annual general meeting;

(2) reviewed and approved corporate strategies of the Group for the financial year ending 31 March 2013; and

(3) reviewed the performance and financial position of the Group.

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

Details of the Directors' attendance records at the regular board meetings during the year are as follows:

	Attendance
Executive Directors	
Mr. Li Ming Hung *(Chairman)*	4/4
Mr. Chen Tien Tui *(Chief Executive Officer)*	4/4
Mr. Lee Yuen Chiu, Andy	3/4
Mr. Choi Lin Hung	4/4
Independent Non-executive Directors	
Mr. Kan Ka Hon	4/4
Mr. Phaisalakani Vichai	4/4
Mr. Kwok Sze Chi	4/4

The executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

The roles of the Chairman and the Chief Executive Officer are segregated and are not exercised by the same individual.

The Company has received from each of the independent non-executive Directors a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

NOMINATION COMMITTEE

The nomination committee of the Company is currently composed of three members, comprising one executive Director, namely Mr. Li Ming Hung (Chairman), and two independent non-executive Directors, namely Mr. Kan Ka Hon and Mr. Phaisalakani Vichai. It was established by the Board with effect from 19 March 2012 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Nomination Committee reviews regularly the structure, size and composition of the Board and may make recommendations to the Board on the nominees for appointment as directors for their consideration and approval. The Nomination Committee has not held any meeting for this purpose during the year under review as the Company has not appointed any new director.

REMUNERATION COMMITTEE

The Remuneration Committee is currently composed of five members, comprising three independent non-executive Directors, namely Mr. Kan Ka Hon (Chairman), Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, and two executive Directors, Mr. Li Ming Hung and Mr. Chen Tien Tui. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Remuneration Committee meets annually to review the remuneration policies and packages for Directors and senior management of the Company. No Director takes part in any discussions and decisions about his own remuneration. During the year, it had convened one meeting with full attendance by its members and conducted the following activities:

(1) reviewed the remuneration packages for senior management of the Company; and

(2) reviewed the terms of the service contracts of all the executive Directors by reference to their performance.

Corporate Governance Report

AUDITOR'S REMUNERATION

During the year, the nature of the audit and non-audit services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and the relevant fee paid by the Company for such services are as follows:

Audit services of approximately HK$2,731,000 for the Group;

Non-audit services of approximately HK$1,538,000 including:
- review of interim results
- taxation services for the Group
- agreed-upon procedures on the Group's continuing connected transaction
- agreed-upon procedures on the Group's annual results announcement

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Kan Ka Hon (Chairman), Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the group audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the year, the Audit Committee has convened three meetings and conducted the following activities:

(1) reviewed the interim and annual reports of the Company;

(2) reviewed the internal controls and financial matters of the Group in pursuance of the written terms of reference;

(3) reviewed the audit plans and findings of the external auditor of the Company; and

(4) made recommendation to the Board on the re-appointment of the external auditor.

Details of attendance of each member of the Audit Committee during the year are as follows:

	Attendance
Independent Non-executive Directors	
Mr. Kan Ka Hon	3/3
Mr. Phaisalakani Vichai	3/3
Mr. Kwok Sze Chi	3/3

There was no disagreement between the Board's and the Audit Committee's view on the selection and appointment of the external auditor.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Victory City International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 100, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	7	**3,835,261**	4,047,705
Cost of sales		**(3,119,141)**	(3,277,190)
Gross profit		**716,120**	770,515
Other income		**20,154**	14,120
Other gains and losses	9	**15,747**	19,285
Gain on bargain purchase of acquisition of subsidiaries	33	**85,047**	–
Distribution and selling expenses		**(72,044)**	(87,180)
General and administrative expenses		**(325,099)**	(280,261)
Listing expenses of a non-wholly owned subsidiary		**–**	(13,110)
Interest on bank borrowings		**(64,187)**	(53,386)
Other expenses	33	**(2,096)**	–
Profit before tax		**373,642**	369,983
Income tax expense	10	**(26,509)**	(21,765)
Profit for the year	11	**347,133**	348,218
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year		**70,106**	160,126
Total comprehensive income for the year		**417,239**	508,344
Profit for the year attributable to:			
Owners of the Company		**341,249**	334,015
Non-controlling interests		**5,884**	14,203
		347,133	348,218
Total comprehensive income attributable to:			
Owners of the Company		**410,113**	492,638
Non-controlling interests		**7,126**	15,706
		417,239	508,344
Earnings per share	13		
Basic		**24.1 cents**	29.5 cents
Diluted		**24.1 cents**	29.5 cents

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**2,759,284**	2,325,219
Prepaid lease payments	15	**183,536**	21,500
Investment property	16	**31,000**	–
Goodwill	17	**6,614**	6,185
Intangible asset	18	**1,000**	1,000
Other assets		**26,040**	18,916
Interest in a jointly controlled entity	19	**–**	–
Deferred tax assets	31	**1,899**	1,518
Deposit paid for acquisition of property, plant and equipment		**3,876**	9,778
		3,013,249	2,384,116
Current assets			
Inventories	20	**1,804,597**	2,239,743
Trade and bills receivables	21	**1,103,280**	916,238
Deposits, prepayments and other receivables	22	**194,363**	236,589
Prepaid lease payments	15	**4,568**	518
Derivative financial instruments	23	**22,185**	7,853
Taxation recoverable		**3,659**	–
Bank balances and cash	24	**1,099,022**	709,479
		4,231,674	4,110,420
Current liabilities			
Trade payables	25	**294,381**	390,016
Other payables and accruals	26	**153,779**	213,958
Dividend payable		**93**	659
Taxation payable		**83,362**	75,120
Bank borrowings – amount due within one year	27	**1,472,690**	1,031,508
Structured borrowings – amount due within one year	28	**–**	12,439
Derivative financial instruments	23	**8,833**	–
		2,013,138	1,723,700
Net current assets		**2,218,536**	2,386,720
Total assets less current liabilities		**5,231,785**	4,770,836

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Capital and reserves			
Share capital	29	**15,474**	12,226
Reserves		**4,406,435**	3,745,220
Equity attributable to owners of the Company		**4,421,909**	3,757,446
Non-controlling interests		**236,529**	223,872
Total equity		**4,658,438**	3,981,318
Non-current liabilities			
Bank borrowings – amount due after one year	27	**484,526**	780,236
Deferred tax liabilities	31	**88,821**	9,282
		573,347	789,518
		5,231,785	4,770,836

The financial statements on pages 33 to 100 were approved and authorised for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

Li Ming Hung	**Chen Tien Tui**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company									Attributable to non-controlling interests			
	Share capital HK$'000 (note 29)	Share premium HK$'000	Special reserve HK$'000 (note i)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note ii)	Translation reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Share option reserve of a subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2010	10,641	968,089	1,961	39	76,229	398,112	–	1,622,769	3,077,840	–	142,212	142,212	3,220,052
Profit for the year	–	–	–	–	–	–	–	334,015	334,015	–	14,203	14,203	348,218
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year	–	–	–	–	–	158,623	–	–	158,623	–	1,503	1,503	160,126
Total comprehensive income for the year	–	–	–	–	–	158,623	–	334,015	492,638	–	15,706	15,706	508,344
2010 Final dividend declared	–	–	–	–	–	–	42,564	(42,564)	–	–	–	–	–
2011 Interim dividend declared	–	–	–	–	–	–	36,374	(36,374)	–	–	–	–	–
Dilution of interests in subsidiaries (note iii)	–	–	(7,491)	–	–	–	–	–	(7,491)	–	71,478	71,478	63,987
Placing of new shares, net of issue costs (note 29)	1,300	226,058	–	–	–	–	–	–	227,358	–	–	–	227,358
Issue of shares under scrip dividend scheme for 2010 final	184	27,992	–	–	–	–	(28,176)	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2011 interim	101	17,635	–	–	–	–	(17,736)	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(33,026)	–	(33,026)	–	–	–	(33,026)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(16,673)	(16,673)	(16,673)
Recognition of equity-settled share-based payments in a subsidiary	–	–	–	–	–	–	–	–	–	8,179	–	8,179	8,179
Lapse of share option in a subsidiary	–	–	–	–	–	–	–	127	127	(127)	–	(127)	–
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	3,097	3,097	3,097
At 31 March 2011	12,226	1,239,774	(5,530)	39	76,229	556,735	–	1,877,973	3,757,446	8,052	215,820	223,872	3,981,318
Profit for the year	–	–	–	–	–	–	–	341,249	341,249	–	5,884	5,884	347,133
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year	–	–	–	–	–	68,864	–	–	68,864	–	1,242	1,242	70,106
Total comprehensive income for the year	–	–	–	–	–	68,864	–	341,249	410,113	–	7,126	7,126	417,239
2011 Final dividend declared	–	–	–	–	–	–	48,903	(48,903)	–	–	–	–	–
2012 Interim dividend declared	–	–	–	–	–	–	48,083	(48,083)	–	–	–	–	–
Issue of shares as consideration for acquisition of subsidiaries (note 29)	2,575	295,630	–	–	–	–	–	–	298,205	–	–	–	298,205
Issue of shares under scrip dividend scheme for 2011 final	311	26,699	–	–	–	–	(27,010)	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2012 interim	362	25,622	–	–	–	–	(25,984)	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(43,992)	–	(43,992)	–	–	–	(43,992)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(5,488)	(5,488)	(5,488)
Recognition of equity-settled share-based payments in a subsidiary	–	–	–	–	–	–	–	–	–	11,156	–	11,156	11,156
Lapse of share option in a subsidiary	–	–	–	–	–	–	–	137	137	(137)	–	(137)	–
At 31 March 2012	**15,474**	**1,587,725**	**(5,530)**	**39**	**76,229**	**625,599**	**–**	**2,122,373**	**4,421,909**	**19,071**	**217,458**	**236,529**	**4,658,438**

notes:

(i) The amount of HK$1,961,000 relates to the acquisition of 40% equity interest in Jiangmen V-Apparel Manufacturing Ltd. ("Jiangmen Factory"). Since 2006, the Group owned 60% interest in Jiangmen Factory through its wholly owned subsidiary. On 19 November 2009, the Group acquired the 40% interest in Jiangmen Factory from independent third parties for a consideration of HK$19,000,000.

(ii) The capital reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which became effective on 22 April 1996, and as reduced by the amount arising from a capital reduction in January 2001.

(iii) On 5 October 2010, a subsidiary of the Company, FGG issued 118,000,000 new shares at HK$0.6 per share as part of its scheme to list its shares on the Stock Exchange (the "Spin-off"). Pursuant to the Spin-off, FGG raised gross proceeds of HK$70,800,000 before transaction cost of HK$6,813,000 and the Company's effective interest in FGG was diluted from 51% to 37.26%. The Company retained control over FGG through its non-wholly owned subsidiary, Sure Strategy Limited, which held 71.96% shareholding of FGG. The difference between the net proceeds from the Spin-Off and the adjustment to the non-controlling interests of approximately HK$7,491,000 was recognised in special reserve.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before tax		373,642	369,983
Adjustments for:			
Depreciation of property, plant and equipment		241,491	208,009
Gain on bargain purchase of acquisition of subsidiaries		(85,047)	–
Gain on fair value change of an investment property		(662)	–
Gain on fair value changes of derivative financial instruments		(16,181)	(15,731)
Impairment loss (reversal of impairment loss) recognised on receivables		1,120	(1,110)
Interest income		(9,863)	(1,953)
Interest on bank borrowings		64,187	53,386
Loss (gain) on disposal of property, plant and equipment and prepaid lease payment		854	(579)
Loss (gain) on fair value changes of structured borrowings		4,799	(322)
Recognition of equity-settled share-based payments in a subsidiary		11,156	8,179
Release of prepaid lease payments		3,008	501
Write-down of inventories		1,564	–
Others		–	709
Operating cash flows before working capital changes		590,068	621,072
Decrease (increase) in inventories		556,606	(537,721)
(Increase) decrease in trade receivables		(154,421)	71,106
Decrease (increase) in deposits, prepayments and other receivables		84,601	(98,296)
Decrease in trade payables		(134,964)	(39,124)
(Decrease) increase in other payables and accruals		(218,204)	67,018
Proceeds from and settlement of derivative financial instruments		10,682	7,878
Cash generated from operations		734,368	91,933
Interest paid on bank borrowings		(64,187)	(53,386)
Hong Kong Profits Tax paid		(18,585)	(12,775)
PRC Enterprise Income Tax paid		(10,432)	(12,586)
Overseas tax paid		(149)	(241)
Interest received		9,863	1,953
NET CASH FROM OPERATING ACTIVITIES		650,878	14,898
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(137,288)	(93,056)
Purchase of an investment property		(24,738)	–
Deposit paid for acquisition of property, plant and equipment		(3,876)	(9,778)
Acquisition of subsidiaries	33	19,432	–
Proceeds from disposal of property, plant and equipment		16,326	26,356
Increase in other assets		–	(18,916)
Purchase of intangible asset		–	(502)
NET CASH USED IN INVESTING ACTIVITIES		(130,144)	(95,896)

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	2012 **HK$'000**	2011 HK$'000
FINANCING ACTIVITIES		
Repayment of bank loans	**(486,062)**	(264,508)
Dividend paid to the Company's shareholders	**(43,992)**	(33,026)
Upfront payment of loan arrangement fee	**(29,099)**	–
Repayment of structured borrowings	**(17,238)**	(17,160)
Dividend paid to non-controlling shareholders	**(5,488)**	(16,673)
Repayment of mortgage loans	**(1,264)**	(20,618)
New bank loans raised	**350,402**	218,912
Net amount of bills, import loans and trust receipts loans raised	**75,095**	80,214
New mortgage loan raised	**14,539**	–
Proceeds from placing of new shares, net of issue costs	**–**	227,358
Net proceeds from dilution of interests in subsidiaries	**–**	63,987
Capital contribution by non-controlling shareholders	**–**	3,097
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(143,107)**	241,583
NET INCREASE IN CASH AND CASH EQUIVALENTS	**377,627**	160,585
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**709,479**	547,779
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**11,916**	1,115
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**1,099,022**	709,479

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section set out in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year, including early application of Amendments to HKAS 12 titled Deferred Tax – Recovery of Underlying Assets, has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding bills receivables discounted with recourse and the associated liabilities.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015. Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2012, the adoption of HKFRS 9 is not expected to have material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards on consolidation, joint arrangements and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation-Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. Based on the existing group structure, the application of these five standards is not expected to have material impact on amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may not have material impact on the amounts reported in the consolidated financial statements but result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 will be adopted by the Group for annual period beginning 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the Cash-generating Units ("CGUs") (or group of CGUs), that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes and is not larger than an operating segment as defined by HKFRS 8 Operating Segments before aggregation.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU or group of CGUs to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro rata on the basis of the carrying amount of each asset. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill or the amount of goodwill allocated to the unit is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as a jointly controlled entity.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful life that is acquired separately is carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods is recognised when the goods are delivered and title has passed.

Service income and subcontracting income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the release of prepaid lease payments during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment property is properties held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gain or loss arising from changes in the fair value of investment property is included in profit or loss for the period in which it arises.

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

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of jointly controlled entities that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Group's defined contribution retirement benefit plans, Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 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 associated with investments in subsidiaries and interest in a jointly controlled entity, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liability and deferred tax asset for an investment property that is measured using the fair value model in accordance with HKAS 40 Investment Property, such property is presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within business model of the Group whose business objective is to consume substantially all economic benefits embodied in the investments property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combinations, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at FVTPL and loans and receivables. The Group's financial assets at FVTPL are derivative financial instruments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gain or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group's financial assets classified as financial assets at FVTPL are derivatives that are not designated and effective as hedging instruments.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from measurement recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Scrip dividends are issued as an alternative to a cash dividend. The amount subscribed for the shares is equal to the cash value of the dividend. Any excess of the scrip amount over the nominal value of the shares is taken to the share premium account just as it is for any other issue of shares.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Group's financial liabilities classified as financial liabilities at FVTPL are derivatives that are not designated and effective as hedging instruments and structured borrowings that are designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables and bank borrowings are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Group after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees of the Group after 7 November 2002 and vested after 1 January 2005

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

At the time when the Group modifies the vesting conditions in a manner that is not beneficial to the employee, for example, by increasing the vesting period or by modifying or adding a performance condition other than a market condition, such modified vesting conditions are not taken into account when applying the requirements of treatment of vesting conditions.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements within the next financial year, are discussed below.

Impairment loss of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value. At 31 March 2012, the carrying amount of trade and bills receivables was HK$1,103,280,000 (2011: HK$916,238,000) (net of allowance for doubtful debts of HK$5,228,000 (2011: HK$4,031,000)).

Write-down of inventories

Management reviews the inventories listing at the end of each reporting period, and writes down obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. At 31 March 2012, the carrying amount of inventories was HK$1,804,597,000 (2011: HK$2,239,743,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

As at 31 March 2012, deferred tax asset in relation to unused tax losses of HK$9,140,000 (2011: HK$28,818,000) and deductible temporary difference of HK$57,725,000 (2011: HK$48,226,000) in respect of accelerated accounting depreciation (see note 31) were not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

Fair value of structured foreign currency forward contracts

As at 31 March 2012, the Group had outstanding structured foreign currency forward contracts which were stated at fair value. In the absence of quoted market price, the valuation of these contracts was carried out by independent professional valuer using valuation techniques which involve certain inputs and assumptions including spot and forward exchange rates, time to maturity and volatility, etc. Any changes in these inputs and assumptions could have an impact on the fair value of these contracts, details of which are set out in note 23.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in notes 27 and 28, net of cash and cash equivalents disclosed in note 24, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,208,238**	1,628,912
FVTPL		
Derivative financial instruments	**22,185**	7,853
Financial liabilities		
Amortised cost	**2,262,432**	2,202,276
FVTPL		
Derivative financial instruments	**8,833**	–
Structured borrowings – designated as at FVTPL	**–**	12,439

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, derivative financial instruments, bank balances and cash, trade payables, other payables, bank borrowings and structured borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain subsidiaries of the Group operate outside Hong Kong and usually have their local currency as their functional currency. In general, majority of the purchase and expense of the Group are denominated in RMB while the sales are denominated in HK$ or USD. During the year, the Group entered certain forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB and USD.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities that were denominated in currencies other than the functional currency of the relevant entities were as follows:

	Liabilities		**Assets**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**1**	2	**27,410**	15,905

Because HK$ is pegged against USD in exchange rate, the above amounts exclude USD/HK$ monetary assets and liabilities where the relevant group entities' functional currency is USD/HK$. The relevant foreign currency balances are disclosed in the respective notes.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2011: 5%) fluctuation of exchange rate of the functional currency of the relevant group entities against the relevant foreign currencies. This sensitivity analysis includes only outstanding monetary items and intercompany balances where the denomination of the amount is in a currency other than the functional currency of the relevant group entities at the end of the reporting period and adjusts their translation for a 5% exchange rate. If the functional currency of the relevant group entities weaken against the functional currencies by 5%, the Group's post-tax profit for the year would increase by:

	2012	2011
	HK$'000	HK$'000
Gain in relation to:		
– RMB	**1,147**	666

As set out in note 23, at the end of the reporting period, the Group had outstanding structured and non-structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

All structured foreign currency forward contracts are to hedge the rise of RMB against USD. Based on the terms of these contracts, if at 31 March 2012, (i) RMB had weakened against USD by 5% and all other variables were held constant, the Group's profit before taxation for the year would have been reduced by HK$126,699,000 (2011: HK$51,513,000) and (ii) RMB had strengthened against USD by 5% and all other variables were held constant, the Group's profit before taxation for the year would have been increased by HK$14,957,000 (2011: HK$723,000). In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables which are interdependent.

No sensitivity analysis is presented for the outstanding non-structured foreign currency forward contracts as their notional amounts are small and their impacts are insignificant.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 24 and 27 for details). The management monitors interest rate exposure and considers hedging significant interest rate exposure. The Group has entered into interest rate swaps (see note 23) which, however, are not qualified for applying hedge accounting.

All bank borrowings (note 27) carry variable-rates determined by reference to the prevailing market rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank borrowings and interest rate swaps at the end of the reporting period. The analysis is prepared assuming the amount of borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If HIBOR interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease by approximately HK$10,269,000 (2011: HK$7,506,000) or increase by approximately HK$8,457,000 (2011: HK$7,506,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank borrowings and interest rate swaps. The impact of bank balances is insignificant.

No sensitivity analysis was presented for the outstanding structured borrowings for the year ended 31 March 2011 as the impact is insignificant.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade and other payables	–	116,357	144,577	44,282	–	305,216	305,216
Bank borrowings	2.41%	934,499	83,417	468,510	491,050	1,977,476	1,957,216
		1,050,856	227,994	512,792	491,050	2,282,692	2,262,432
Derivative – net settlement							
Structured foreign currency forward contracts		(272)	(617)	(1,948)	6,821	3,984	3,920
Foreign currency contracts		–	271	–	–	271	271
Interest rate swap		–	–	–	4,861	4,861	4,642
		(272)	(346)	(1,948)	11,682	9,116	8,833

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	176,751	150,804	62,977	–	390,532	390,532
Bank borrowings	1.82%	892,908	143,353	93,759	801,692	1,931,712	1,811,744
		1,069,659	294,157	156,736	801,692	2,322,244	2,202,276
Structured borrowings	2.25%	–	6,254	6,289	–	12,543	12,439

Bank loans with a repayable on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2012 and 31 March 2011, the aggregate outstanding carrying amounts of these bank loans amounted to HK$807,520,000 and HK$890,866,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. However, in accordance with Hong Kong Interpretation 5 "Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment On Demand Clause", all such bank loans have been classified as current liabilities.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012							
Bank borrowings	**1.99%**	**246,612**	**222,596**	**309,925**	**37,112**	**816,245**	**807,520**
2011							
Bank borrowings	2.11%	524,681	96,950	260,424	20,241	902,296	890,866

(c) Fair value

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

- the fair value of the derivative financial instruments were measured using (i) Monte Carlos Simulation Model, (ii) Covered Interest Rate Parity or (iii) discounted cash flow analysis based on applicable yield curves of interest rates matching maturities of the derivative financial instruments; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurement recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value and grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) on active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Derivative financial instruments	**–**	**17**	**22,168**	**22,185**
Financial liabilities at FVTPL				
Derivative financial instruments	**–**	**4,913**	**3,920**	**8,833**

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial instruments	–	–	7,853	7,853
Financial liabilities at FVTPL				
Structured borrowings	–	12,439	–	12,439

Reconciliation of Level 3 fair value measurements of financial assets

	Structured foreign currency forward contracts HK$'000
At 1 April 2010	–
Fair value gains (note):	
– realised	7,878
– unrealised	7,853
Settlement	(7,878)
At 31 March 2011	7,853
Premium received on contract date	(1,552)
Fair value gains (note):	
– realised	1,277
– unrealised	19,800
Settlement	(9,130)
At 31 March 2012	**18,248**

note: The amount is included in gain on fair value changes of derivative financial instruments of "other gains and losses" in note 9.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided by the Group to outside customers, net of discounts and sales related taxes. It is analysed as follows:

	2012 **HK$'000**	2011 HK$'000
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**2,925,353**	3,144,827
Production and sale of garment products and provision of quality services	**909,908**	902,878
	3,835,261	4,047,705

8. SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

At the end of the reporting period, the Group's operations are organised into two operating segments:

(i) Knitted fabric and dyed yarn – Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services

(ii) Garment products – Production and sale of garment products and provision of quality inspection services

The following is an analysis of the Group's revenue and results by operating segments:

Year ended 31 March 2012

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	2,925,353	909,908	3,835,261	–	3,835,261
Inter-segment sales	106,115	–	106,115	(106,115)	–
Total	3,031,468	909,908	3,941,376	(106,115)	3,835,261
RESULTS					
Segment results	437,569	22,345	459,914	(179)	459,735
Unallocated corporate income					5,503
Other gains and losses					11,190
Unallocated corporate expenses					(38,599)
Finance cost					(64,187)
Profit before tax					373,642

8. SEGMENT INFORMATION (continued)

Year ended 31 March 2011

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	3,144,827	902,878	4,047,705	–	4,047,705
Inter-segment sales	37,846	–	37,846	(37,846)	–
Total	3,182,673	902,878	4,085,551	(37,846)	4,047,705
RESULTS					
Segment results	385,791	57,258	443,049	–	443,049
Unallocated corporate income					1,962
Other gains and losses					16,632
Unallocated corporate expenses					(38,274)
Finance cost					(53,386)
Profit before tax					369,983

Segment profit represents the profit earned by each segment without allocation of rental income, gain on fair value change of an investment property, gain on fair value changes of derivative financial instruments, (loss) gain on fair value change of structured borrowings, central administration costs and finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market rate.

Segment assets and liabilities

At 31 March 2012

	Knitted fabric and dyed yarn HK$'000	**Garment products HK$'000**	**Consolidated total HK$'000**
ASSETS			
Segment assets	**5,661,864**	**459,398**	**6,121,262**
Unallocated assets			**1,123,661**
Consolidated total assets			**7,244,923**
LIABILITIES			
Segment liabilities	**349,594**	**120,141**	**469,735**
Unallocated liabilities			**2,116,750**
Consolidated total liabilities			**2,586,485**

8. SEGMENT INFORMATION (continued)

At 31 March 2011

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	5,360,789	415,572	5,776,361
Unallocated assets			718,175
Consolidated total assets			6,494,536
LIABILITIES			
Segment liabilities	513,581	89,825	603,406
Unallocated liabilities			1,909,812
Consolidated total liabilities			2,513,218

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets other than certain bank balances and cash, derivative financial instruments, deferred tax assets, corporate assets and assets of non-core businesses are allocated to operating segments, and

- all liabilities other than current and deferred tax liabilities, certain bank borrowings, derivative financial instruments, corporate liabilities and liabilities of non-core businesses are allocated to operating segments.

8. SEGMENT INFORMATION (continued)

Other segment information

At 31 March 2012

	Knitted fabric and dyed yarn HK$'000	**Garment products HK$'000**	**Segment/ Consolidated total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	**97,696**	**43,836**	**141,532**
Depreciation	**227,064**	**14,427**	**241,491**
Gain on bargain purchase of acquisition of subsidiaries	**85,047**	**–**	**85,047**
(Loss) gain on disposal of property, plant and equipment	**(1,012)**	**158**	**(854)**
Impairment loss recognised on receivables	**1,120**	**–**	**1,120**
Release of prepaid lease payments	**2,911**	**97**	**3,008**
Write-down of inventories	**–**	**1,564**	**1,564**

At 31 March 2011

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment/ Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	85,769	10,119	95,888
Depreciation	192,646	15,363	208,009
Gain on disposal of property, plant and equipment and prepaid lease payments	71	508	579
Release of prepaid lease payments	409	92	501
Reversal of impairment loss recognised on receivables	1,110	–	1,110

note: Amounts included additions to property, plant and equipment, prepaid lease payments and intangible asset.

No other amounts are regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets.

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding other assets and deferred tax assets) by geographic location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**505,316**	576,866	**95,249**	53,539
PRC	**1,857,491**	2,054,901	**2,884,769**	2,296,345
USA	**577,890**	502,586	**2**	102
Korea	**249,926**	80,626	**–**	–
Bangladesh	**170,619**	219,434	**–**	–
Taiwan	**136,486**	243,573	**–**	–
Canada	**100,546**	141,160	**–**	–
Others	**236,987**	228,559	**5,290**	13,696
	3,835,261	4,047,705	**2,985,310**	2,363,682

Information about major customers

None of the customers individually contributed over 10% of the Group's total annual revenue for each of the two years ended 31 March 2012.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting and quality services. No information about products and service is presented as the information is not available and the cost to develop such information is excessive.

9. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	HK$'000
Gain on fair value changes of derivative financial instruments	**16,181**	15,731
Net foreign exchange gain	**5,677**	1,543
Gain on fair value change of an investment property	**662**	–
(Loss) gain on fair value changes of structured borrowings	**(4,799)**	322
(Impairment loss) reversal of impairment loss recognised on receivables	**(1,120)**	1,110
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	**(854)**	579
	15,747	19,285

10. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	**10,344**	14,878
– Enterprise Income Tax ("EIT") in the PRC attributable to subsidiaries	**16,126**	16,878
– Overseas income tax	**–**	151
	26,470	31,907
Under (over) provision in respect of prior years	**184**	(12,190)
	26,654	19,717
Deferred taxation (note 31)	**(145)**	2,048
	26,509	21,765

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary is exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. Accordingly, the profit of that subsidiary was subject to a reduced rate of 12.5% for the year. Such tax concession will expire on 31 December 2012.

Other subsidiaries in the PRC are subject to EIT at the statutory rate of 25%.

Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Macau subsidiaries are exempted from Macao Complementary Tax.

Other jurisdictions

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

10. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	HK$'000
Profit before tax	**373,642**	369,983
Tax at the domestic income tax rate of 16.5%	**61,651**	61,047
Tax effect of expenses that are not deductible for tax purpose	**8,724**	5,323
Tax effect of income not taxable for tax purpose	**(14,445)**	(494)
Tax effect of utilisation of tax losses previously not recognised	**(2,150)**	(360)
Tax effect of tax losses not recognised	**974**	210
Income tax on concessionary rate and tax exemption	**(39,856)**	(39,480)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**7,196**	4,082
Under(over)provision in respect of prior years	**184**	(12,190)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**4,231**	3,627
Tax charge for the year	**26,509**	21,765

Details of deferred taxation are set out in note 31.

11. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	**16,600**	17,041
Other staff costs	**344,275**	301,412
Total staff costs	**360,875**	318,453
Auditor's remuneration	**3,306**	2,853
Depreciation of property, plant and equipment	**241,491**	208,009
Release of prepaid lease payments	**3,008**	501
Interest on bank borrowings wholly repayable within five years	**63,676**	53,386
Interest on bank borrowings not wholly repayable within five years	**511**	–
and after crediting:		
Government grants	**1,908**	4,880
Bank interest income	**9,863**	1,953

Included in the other staff costs is an aggregate amount of approximately HK$26,493,000 (2011: HK$21,152,000) in respect of contributions to retirement benefits schemes made by the Group (note ii).

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of comprehensive income for both years.

11. PROFIT FOR THE YEAR (continued)

notes:

(i) Information regarding directors' and employees' emoluments

Directors

The emoluments paid or payable to each of the seven (2011: seven) Directors were as follows:

	Li Ming Hung	Chen Tien Tui	Lee Yuen Chiu, Andy	Choi Lin Hung	Kan Ka Hon	Phaisalakani Vichai (Andy Hung)	Kwok Sze Chi	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012								
Fees	**–**	**–**	**–**	**990**	**180**	**180**	**180**	**1,530**
Salaries and other benefits	**3,360**	**3,360**	**1,476**	**2,320**	**–**	**–**	**–**	**10,516**
Performance related incentive payments (note)	**1,940**	**1,940**	**68**	**410**	**–**	**–**	**–**	**4,358**
Contributions to retirement benefits schemes	**48**	**48**	**82**	**18**	**–**	**–**	**–**	**196**
Total emoluments	**5,348**	**5,348**	**1,626**	**3,738**	**180**	**180**	**180**	**16,600**
2011								
Fees	–	–	–	–	180	180	180	540
Salaries and other benefits	3,360	3,360	1,476	2,395	–	–	–	10,591
Performance related incentive payments (note)	2,320	2,320	549	525	–	–	–	5,714
Contributions to retirement benefits schemes	48	48	82	18	–	–	–	196
Total emoluments	5,728	5,728	2,107	2,938	180	180	180	17,041

note: Performance related incentive payments were determined based on the Group's operating results and future plans, individual performance and comparable market statistics.

No Directors waived any emoluments for the years ended 31 March 2012 and 2011.

Employees

The five highest paid individuals of the Group for both years included four (2011: four) Directors, details of whose emoluments are set out above. The emoluments of the remaining one (2011: one) individual of the Group, not being a Director, are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries and other benefits	**1,080**	1,080
Performance related incentive payments	**320**	420
Contributions to retirement benefits schemes	**54**	54
	1,454	1,554

During each of the two years ended 31 March 2012, (i) no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the Directors waived any emoluments.

11. PROFIT FOR THE YEAR (continued)

notes: (continued)

(ii) Retirement benefits scheme contributions

The Group has operated a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation.

Both the defined contribution retirement benefits scheme and the MPF scheme co-existed within the Group in both years.

As at 31 March 2012 and 2011, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on 15% to 20% (2011: 17%) of the salaries of the relevant subsidiaries' employees, are charged to the statement of comprehensive income in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

In addition, certain overseas subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit schemes as stipulated by relevant local authorities. The employees are entitled to these subsidiaries' contributions subject to the regulations of the relevant local authorities. The only obligation of the Group with respect to these schemes is to make the specified contributions.

12. DISTRIBUTIONS

	2012 **HK$'000**	2011 HK$'000
Dividends recognised as distribution during the year:		
2012 interim dividend of HK2.5 cents (2011: HK3.0 cents) per ordinary share	**48,083**	36,374
2011 final dividend of HK4.0 cents (2011: 2010 final dividend of HK4.0 cents) per ordinary share	**48,903**	42,564
	96,986	78,938

The final dividend of HK2.5 cents (2011: HK4.0 cents) per share amounting to HK$38,684,000 (2011: HK$48,093,000), which will be in cash with a scrip dividend option, has been calculated by reference to the 1,547,356,666 issued ordinary shares outstanding as at the date these consolidated financial statements were approved for issuance by the Directors, has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming AGM.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the year is based on the following data:

	2012 **HK$'000**	2011 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**341,249**	334,015
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	**(113)**	(117)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**341,136**	333,898
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,413,699,608**	1,131,024,311

The computation of diluted earnings per share for the year ended 31 March 2012 and 2011 does not assume the exercise of the Company's share options because the exercise price of the Company's share options outstanding for the respective years was higher than the average market price of the shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 April 2010	1,938,890	33,345	46,355	40,661	28,142	1,366,027	3,453,420
Exchange realignment	113,162	1,947	1,844	1,614	863	82,656	202,086
Additions	2,919	609	3,818	1,697	5,193	80,652	94,888
Transfer	1,653	(1,653)	–	–	–	–	–
Disposals	–	–	(689)	(95)	(1,366)	(346)	(2,496)
At 31 March 2011	2,056,624	34,248	51,328	43,877	32,832	1,528,989	3,747,898
Exchange realignment	78,588	835	1,370	1,278	662	59,590	142,323
Additions	59,151	1,304	10,796	18,177	2,893	49,211	141,532
Acquired on acquisition of subsidiaries (note 33)	241,263	–	2,623	197	2,333	215,372	461,788
Transfer	36,387	(36,387)	–	–	–	–	–
Disposals	–	–	(1,556)	(1,763)	(2,227)	(29,712)	(35,258)
At 31 March 2012	**2,472,013**	**–**	**64,561**	**61,766**	**36,493**	**1,823,450**	**4,458,283**
DEPRECIATION							
At 1 April 2010	267,325	–	33,588	16,570	20,936	806,301	1,144,720
Exchange realignment	18,270	–	1,417	536	671	50,924	71,818
Provided for the year	71,515	–	4,474	3,268	3,925	124,827	208,009
Eliminated on disposals	–	–	(569)	(126)	(934)	(239)	(1,868)
At 31 March 2011	357,110	–	38,910	20,248	24,598	981,813	1,422,679
Exchange realignment	14,127	–	839	382	509	37,050	52,907
Provided for the year	94,287	–	4,658	3,657	3,402	135,487	241,491
Eliminated on disposals	–	–	(1,515)	(1,403)	(2,027)	(13,133)	(18,078)
At 31 March 2012	**465,524**	**–**	**42,892**	**22,884**	**26,482**	**1,141,217**	**1,698,999**
CARRYING VALUE							
At 31 March 2012	**2,006,489**	**–**	**21,669**	**38,882**	**10,011**	**682,233**	**2,759,284**
At 31 March 2011	1,699,514	34,248	12,418	23,629	8,234	547,176	2,325,219

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Taking into account the residual values, the above items of property, plant and equipment are depreciated using the straight-line method at the following rates per annum:

Leasehold land and buildings	4% per annum or over the shorter of the term of the lease
Furniture, fixtures and equipment	15% – 25% per annum
Leasehold improvements	10% – 20% per annum or over the term of the relevant leases, if shorter
Motor vehicles	20% per annum
Plant and machinery	$6^2/_3$% – 25% per annum

	At 31 March	
	2012	2011
	HK$'000	HK$'000
The Group's leasehold land and buildings comprise:		
Leasehold land and buildings with medium-term leases located in:		
– PRC	**1,970,623**	1,662,055
– Hong Kong	**33,350**	34,736
– Jordan	**2,516**	2,723
	2,006,489	1,699,514

15. PREPAID LEASE PAYMENTS

	At 31 March	
	2012	2011
	HK$'000	HK$'000
Prepaid lease payments comprise:		
Leasehold land in PRC:		
Medium-term leases	**188,104**	22,018
Analysed for reporting purposes as:		
Current assets	**4,568**	518
Non-current assets	**183,536**	21,500
	188,104	22,018

16. INVESTMENT PROPERTY

	HK$'000
FAIR VALUES	
At 1 April 2010 and 31 March 2011	–
Addition	30,338
Increase in fair value recognised in profit or loss	662
At 31 March 2012	**31,000**

The investment property is situated in Hong Kong and held under medium-term lease.

The fair value of the Group's investment property has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns, independent firm of valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in similar locations and conditions.

17. GOODWILL

	HK$'000
COST	
At 1 April 2010 and 31 March 2011	6,185
Arising on acquisition of subsidiaries (note 33)	429
At 31 March 2012	**6,614**

As explained in note 8, the Group has two operating segments. For the purposes of impairment testing, goodwill was allocated to a group of CGUs, which are included in the production and sale of garment products segment. The segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10%. The cash flows beyond the 5-year period are extrapolated using zero growth rate (2011: 4%). The growth rate beyond the budget period is estimated based on management forecasts. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount.

18. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2010	–
Addition	1,000
At 31 March 2011 and 31 March 2012	**1,000**

The intangible asset represents a trademark acquired for garment products segment in note 8. While the trademark has a registered life of 7 years, the directors are of the opinion that it can be renewed at minimal cost upon expiration of its registration and practically has indefinite useful life. Accordingly, no amortisation is provided on the trademark while impairment testing will be performed on a regular basis.

The trademark has been allocated to a CGU, which is included in the garment products segment. During the year ended 31 March 2012 and the year ended 31 March 2011, management determines that there is no impairment of trademark.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10%. The cash flows beyond the 5-year period are extrapolated using zero growth rate. This growth rate is based on the management forecast. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2012 HK$'000	2011 HK$'000
Cost of unlisted investment in a jointly controlled entity	**1,340**	1,340
Share of post-acquisition loss	**(1,340)**	(1,340)
	–	–

As at 31 March 2012 and 31 March 2011, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Proportion of nominal value of issued capital held by the Group	Principal activity
Gojifashion Inc.	Incorporation	Canada	Canada	50%	Inactive

The jointly controlled entity is inactive and has insignificant assets and liabilities. The Group has discontinued recognition of its share of losses of the jointly controlled entity. The amounts of income, expenses and unrecognised share of the jointly controlled entity, both for the year and cumulatively, are insignificant.

20. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**937,585**	1,412,509
Work in progress	**405,315**	470,758
Finished goods	**461,697**	356,476
	1,804,597	2,239,743

21. TRADE AND BILLS RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade and bills receivables	**747,444**	664,876
Bills discounted with recourse and debts factored with recourse	**361,064**	255,393
Less: Allowance for doubtful debts	**(5,228)**	(4,031)
	1,103,280	916,238

The Group generally allows its trade customers a credit period of 30 to 120 days.

21. TRADE AND BILLS RECEIVABLES (continued)

The following is an aged analysis of trade and bills receivables (net of allowance for doubtful debts), presented based on the invoice date at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
0–60 days	784,166	665,588
61–90 days	174,473	168,987
91–120 days	114,760	62,596
Over 120 days	29,881	19,067
	1,103,280	916,238

The Group's trade and bills receivables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2012 HK$'000	2011 HK$'000
HK$	1,443	1,410
RMB	5,058	9,129
USD	134,439	53,964

Before accepting any new customer, the Group assesses and understands the potential customer's credit quality. Management reviews each customer's credit quality regularly. All trade receivables that are neither past due nor impaired have good credit quality after taking into account the repayment history of the trade customers. The Group has not identified any credit risk on these trade receivables.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$35,694,000 (2011: HK$19,067,000) which were past due at the end of the reporting period but for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired

	2012 HK$'000	2011 HK$'000
61–90 days	5,813	–
Over 120 days	29,881	19,067
	35,694	19,067

21. TRADE AND BILLS RECEIVABLES (continued)

The Group did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality. The Group has assessed the credit quality of the trade receivables by using the internal assessment, taking into account the repayment history and financial background of the trade customers and has not identified any credit risk on these trade receivables.

The Group has provided fully for all receivables that are aged over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

As at 31 March 2012, the Group discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2012, the carrying amount of bills receivables discounted with recourse was HK$361,064,000 (2011: HK$255,393,000).

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**4,031**	5,640
Exchange realignment	**77**	98
Impairment loss recognised on receivables	**2,120**	–
Reversal of impairment loss recognised on receivables	**(1,000)**	(1,110)
Amounts written off as uncollectible	**–**	(597)
Balance at end of the year	**5,228**	4,031

The impairment loss recognised and the amounts written off as uncollectible were related to customers that were in financial difficulties.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Deposits paid for purchase of raw materials and garment products	**139,475**	219,998
Upfront payment of loan arrangement fee (note)	**29,099**	–
Other deposits and prepayments	**16,523**	12,585
Others	**9,266**	4,006
	194,363	236,589

note: Loan arrangement fee is directly attributable to a syndicated loan amounting to HK$1,388,000,000 which has been drawn down subsequent to the reporting date. The fee will be deducted from the bank borrowings on initial recognition and accounted for using an effective interest method over the loan period.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives settled net (not under hedge accounting):

		Liabilities		Assets	
	notes	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Foreign currency forward contracts:					
– structured	(i)	**3,920**	–	**22,168**	7,853
– non-structured	(ii)	**271**	–	**17**	–
Interest rate swap	(iii)	**4,642**	–	**–**	–
		8,833	–	**22,185**	7,853

The fair value of the above derivative financial instruments are calculated using (i) Monte Carlos Simulation Model, (ii) Covered Interest Rate Parity or (iii) discounted cash flow analysis based on applicable yield curves of interest rates matching maturities of the derivative financial instruments.

notes:

(i) The Group entered into USD/RMB structured currency forward contracts which require the Group to sell USD and to buy RMB monthly at exchange rates specified in the contracts ranging from 6.335 to 6.80. Certain of these contracts contain knock-out features that will automatically terminate the contracts in certain scenarios. As at 31 March 2012, the aggregate notional amount of the outstanding structured currency forward contracts were USD1,062,000,000 (2011: USD376,000,000), without considering the potential knock-out features which may result in early termination of the contracts. The maturity dates of these contracts range from 13 April 2012 to 10 December 2014 (2011: 11 April 2011 to 26 September 2013).

(ii) Major terms of the non-structured foreign currency forward contracts outstanding as at 31 March 2012 are as follows:

Notional amount	**Currency conversion**	**Maturity date**
1 contract to sell EUR240,000	EUR1: USD1.34	28 September 2012
1 contract to buy HK$17,708,421	RMB1: HK$1.20	31 May 2012

(iii) At 31 March 2012, the notional amount of the interest rate swap contract which swap interest rate from floating rate at 3-month HIBOR per annum to a fixed rate of 3.56% per annum amounted to HK$40,000,000 (2011: Nil). The interest rate swap is net-settled on quarterly basis over period from 30 August 2013 to 31 May 2021.

24. BANK BALANCES AND CASH

These represent bank balances, cash and short-term bank deposits held by the Group. Bank balances and deposits carry interest at prevailing market rates ranging from 0.001% to 3.30% (2011: from 0.001% to 4.05%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2012 **HK$'000**	2011 HK$'000
HK$	**8,653**	34,836
GBP	**2**	7,249
CAD	**–**	87
EURO	**458**	638
RMB	**21,756**	6,776
USD	**7,526**	9,731

25. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2012 **HK$'000**	2011 HK$'000
0–60 days	**270,099**	240,400
61–90 days	**14,855**	93,754
Over 90 days	**9,427**	55,862
	294,381	390,016

The credit period for purchase of goods is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

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

	2012 **HK$'000**	2011 HK$'000
HK$	**11,636**	2,413
RMB	**1**	2
USD	**5,263**	33,412
CAD	**4**	–

26. OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Other payables	**49,772**	25,608
Accruals	**65,245**	49,891
Deposits received from customers	**31,427**	137,943
Others	**7,335**	516
	153,779	213,958

27. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank loans	**1,247,200**	1,190,098
Bills discounted with recourse and debts factored with recourse	**361,064**	255,393
Import loans, export loans and trust receipts loans	**316,484**	347,059
Mortgage loans	**32,468**	19,194
	1,957,216	1,811,744
Analysed as:		
– secured	**287,853**	53,946
– unsecured	**1,669,363**	1,757,798
	1,957,216	1,811,744
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):		
Within one year	**665,170**	140,642
In more than one year but not more than two years	**484,526**	290,911
In more than two years but not more than three years	**–**	489,325
Sub-total	**1,149,696**	920,878
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):		
Within one year	**773,460**	872,944
In more than one year but not more than two years	**3,303**	1,307
In more than two years but not more than three years	**3,341**	1,342
In more than three years but not more than four years	**3,276**	1,378
In more than four years but not more than five years	**2,181**	13,895
In more than five years	**21,959**	–
Sub-total (shown under current liabilities)	**807,520**	890,866
Total	**1,957,216**	1,811,744
Less: Amounts shown as current liabilities	**(1,472,690)**	(1,031,508)
Amounts shown as non-current liabilities	**484,526**	780,236

note: The amounts due are based on schedule repayment dates set out in the loan agreements.

27. BANK BORROWINGS (continued)

The above includes a syndicated loan of HK$742,400,000 (2011: HK$928,000,000) which bears interest at HIBOR plus 1.8% per annum and with a tenure of 4 years (2011: HIBOR plus 1.8% per annum with a tenure of 4 years). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 0.85% to 2.70% per annum, London Interbank Offer rate plus 0.85% to 2.50% per annum or lending rate of People's Bank of China times 1.1 to 1.2 per annum (2011: HIBOR plus 0.55% to HIBOR plus 2.50% per annum). The range of effective interest rates of the Group's bank borrowings are 1.04% to 7.98% per annum (2011: 0.75% to 5.02% per annum).

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

	2012	2011
	HK$'000	HK$'000
HK$	**23,722**	71,475
USD	**53,606**	18,997

28. STRUCTURED BORROWINGS

The structured borrowings contained embedded derivatives and were stated at fair value. All structured borrowings were repaid during the year.

29. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2010, 31 March 2011 and 31 March 2012	**40,000,000,000**	**400,000**
Issued and fully paid:		
As at 1 April 2010	1,064,099,158	10,641
Issue of shares pursuant to scrip dividend scheme for 2010 final dividend (note i)	18,352,871	184
Placing of new shares (note ii)	130,000,000	1,300
Issue of shares pursuant to scrip dividend scheme for 2011 interim dividend (note iii)	10,102,444	101
As at 31 March 2011	1,222,554,473	12,226
Issue of shares as consideration for the acquisition of subsidiaries (note 33)	257,584,430	2,575
Issue of shares pursuant to scrip dividend scheme for 2011 final dividend (note iv)	31,038,250	311
Issue of shares pursuant to scrip dividend scheme for 2012 interim dividend (note v)	36,179,513	362
As at 31 March 2012	**1,547,356,666**	**15,474**

29. SHARE CAPITAL (continued)

notes:

(i) On 22 October 2010, the Company issued and allotted a total of 18,352,871 shares of HK$0.01 each at an issue price of HK$1.5352 each in lieu of cash for the 2010 final dividends pursuant to the scrip dividend circular to shareholders dated 17 September 2010. These shares ranked pari passu in all respects with the then existing shares.

(ii) Pursuant to a placing agreement dated 13 October 2010, the Company placed 130,000,000 shares of the Company at a price of HK$1.83 per share, resulting in gross proceeds to the Company of approximately HK$237,900,000. The placement was made to independent investors. The placing price represented a discount of approximately 12.02% to the closing price of HK$2.08 per share as quoted on the Stock Exchange on 12 October 2010, being the date on which the terms of placing was fixed. Arrangement fees of approximately HK$10,542,000 were set off against share premium. The proceeds were used for general working capital of the Group.

(iii) On 4 March 2011, the Company issued and allotted a total of 10,102,444 shares of HK$0.01 each at an issue price of HK$1.7556 each in lieu of cash for the 2011 interim dividends pursuant to the scrip dividend circular to shareholders dated 21 January 2011. These shares ranked pari passu in all respects with the then existing shares.

(iv) On 21 October 2011, the Company issued and allotted a total of 31,038,250 shares of HK$0.01 each at an issue price of HK$0.8702 each in lieu of cash for the 2011 final dividends pursuant to the scrip dividend circular to shareholders dated 16 September 2011. These shares ranked pari passu in all respects with the then existing shares.

(v) On 2 March 2012, the Company issued and allotted a total of 36,179,513 shares of HK$0.01 each at an issue price of HK$0.7182 each in lieu of cash for the 2012 interim dividends pursuant to the scrip dividend circular to shareholders dated 13 January 2012. These shares ranked pari passu in all respects with the then existing shares.

30. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme of the Company

At a special general meeting of the Company held on 30 November 2001 (the "Adoption Date"), the shareholders of the Company approved the adoption of a new share option scheme (the "2001 Scheme") and the termination of the Company's then existing share option scheme. The 2001 Scheme was adopted for the primary purpose of providing incentives or rewards to selected participants for their contributions to the Group, and expired on 29 November 2011. Under the 2001 Scheme, the board of directors of the Company could grant options to full-time employees, including executive directors of the Company and its subsidiaries, and any participants from time to time determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2001 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the 2001 Scheme and any other share option scheme of the Group) to be granted under the 2001 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Adoption Date. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2001 Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per grant of option(s). Options may, subject to the black-out periods under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company could at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share Option Scheme of the Company (continued)

The 2001 Scheme expired on 29 November 2011. A new share option scheme was approved and adopted by the Company pursuant to an ordinary resolution passed on 15 March 2011 (the "2011 Scheme").

The terms of the 2011 Scheme and the 2001 Scheme are broadly similar. The 2011 Scheme is effective for a period of 10 years.

No share option has been granted under 2011 Scheme during the year ended 31 March 2012.

The following table discloses movements in the Company's share options under 2001 Scheme during both years:

				Number of option shares				
Category	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1.4.2010	Lapsed during the year	Outstanding at 31.3.2011	Lapsed during the year	Outstanding at 31.3.2012
Directors								
Mr. Li Ming Hung	9 October 2003	2.85	9.10.2004 – 29.11.2011	533,246	–	533,246	(533,246)	-
	4 June 2004	2.95	7.6.2004 – 29.11.2011	1,066,491	–	1,066,491	(1,066,491)	-
Mr. Chen Tien Tui	9 October 2003	2.85	9.10.2004 – 29.11.2011	533,246	–	533,246	(533,246)	-
	4 June 2004	2.95	7.6.2004 – 29.11.2011	1,066,491	–	1,066,491	(1,066,491)	-
Mr. Lee Yuen Chiu, Andy	23 May 2003	2.20	27.5.2003 – 29.11.2011	1,599,736	–	1,599,736	(1,599,736)	-
	9 October 2003	2.85	9.10.2004 – 29.11.2011	3,732,719	–	3,732,719	(3,732,719)	-
	4 June 2004	2.95	7.6.2004 – 29.11.2011	4,265,964	–	4,265,964	(4,265,964)	-
Mr. Choi Lin Hung	23 May 2003	2.20	27.5.2003 – 29.11.2011	1,599,736	–	1,599,736	(1,599,736)	-
	9 October 2003	2.85	9.10.2004 – 29.11.2011	3,732,719	–	3,732,719	(3,732,719)	-
	4 June 2004	2.95	7.6.2004 – 29.11.2011	4,265,964	–	4,265,964	(4,265,964)	-
Employees	23 May 2003	2.20	27.5.2003 – 29.11.2011	24,635,947	–	24,635,947	(24,635,947)	-
	9 October 2003	2.85	9.10.2004 – 29.11.2011	40,100,066	(10,664,912)	29,435,154	(29,435,154)	-
	4 June 2004	2.95	7.6.2004 – 29.11.2011	40,420,013	(8,531,928)	31,888,085	(31,888,085)	-
				127,552,338	(19,196,840)	108,355,498	(108,355,498)	-
Exercisable at the end of the year				127,552,338		108,355,498		-
Weighted average exercise price (HK$)				2.75	2.89	2.72	2.72	–

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of FGG

Pursuant to a written resolution passed on 2 June 2010, FGG adopted a share option scheme (the "FGG Scheme"). The purpose of the FGG Scheme is to provide incentives to eligible participants including eligible directors and eligible employees ("Eligible Employees") of FGG. The FGG Scheme will remain in force for a period of ten years from the date of adoption of the FGG Scheme.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the FGG Scheme and any other share option scheme of FGG must not in aggregate exceed 30% of the issued share capital of FGG from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the FGG Scheme and any other share option scheme of FGG) to be granted under the FGG Scheme and any other share option scheme of FGG must not in aggregate exceed 10% of the shares in issue on the Adoption Date. Such 10% limit may be refreshed, subject to specific approval by the shareholders of FGG, from time to time with reference to the issued share capital of FGG for the time being. Subject to specific approval by the shareholders of FGG, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the FGG Scheme and any other share option scheme of FGG (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of FGG for the time being.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per grant of option(s). Options may, subject to the black-out periods under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of FGG may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of FGG (continued)

The following table discloses movements in FGG's share options during the current and prior years:

Category	Date of grant	Vesting period	Exercise price HK$	Exercisable period	Number of share options: Outstanding at 1.4.2010	Granted during the year	Lapsed during the year	Outstanding at 31.3.2011	Granted during the year	Lapsed during the year	Outstanding at 31.3.2012
Directors of FGG											
Mr. Lau Kwok Wa, Stanley	2 June 2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	5,350,000	–	5,350,000	–	–	**5,350,000**
Mr. Ng Tze On	2 June 2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	5,350,000	–	5,350,000	–	–	**5,350,000**
Employees											
Mr. Ng Tsze Lun (note i)	2 June 2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	21,000,000	–	21,000,000	–	–	**21,000,000**
	27 April 2011	27.4.2011 – 26.4.2013	0.844	27.4.2013 – 26.4.2016	–	–	–	–	37,000,000	–	**37,000,000**
Other employees (note ii)	2 June 2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	10,200,000	(650,000)	9,550,000	–	(700,000)	**8,850,000**
	27 April 2011	27.4.2011 – 26.4.2013	0.844	27.4.2013 – 26.4.2016	–	–	–	–	5,920,000	(455,000)	**5,465,000**
					–	41,900,000	(650,000)	41,250,000	42,920,000	(1,155,000)	**83,015,000**
Exercisable at the end of the year					–			–			**-**

notes:

(i) The grant of the share options to Mr. Ng Tsze Lun, exceeded the individual limit as set out in note to Rule 17.03(4) of the Listing Rules, was approved by shareholders of FGG in a special general meeting of FGG held on 27 April 2011.

(ii) Other employees include employees of FGG (other than the directors of FGG) working under employment contracts with FGG which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

(iii) None of the above share option has been exercised during the year.

On 2 June 2010, FGG granted 41,900,000 share options to Eligible Employees. This grant was conditional upon the listing of FGG's shares on the Stock Exchange and the Eligible Employees remaining employed by FGG. Subsequent to the grant, on 5 October 2010, FGG and all the Eligible Employees of FGG agreed to impose a vesting period of two years and to revise the exercisable period of the options granted (the "Modification"). As the Modification increased the vesting period and was not beneficial to the Eligible Employees, FGG only considered the vesting conditions imposed on grant date in determining the time period as to when the awards should be expensed in profit or loss (i.e. the share options were considered fully vested to the Eligible Employees upon FGG's listing for accounting purpose).

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of FGG (continued)

On 27 April 2011, the FGG granted 42,920,000 new share options to FGG's employees at an exercise price of HK$0.844 per share. The average closing price of FGG's shares for the five trading days immediately before the date of the offer of grant was HK$0.844 and the closing price of FGG's shares on the date of the offer of grant was HK$0.81. These options have a vesting period of two years and are exercisable for the period up to the 5th anniversary of the date of grant.

The fair value of these options was determined using the Binomial Model. The variables and assumptions used in computing the fair value of the options are based on the directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions.

The following assumptions are used to calculate the fair values of the share options:

	Date of Grant 2.6.2010 ("1st Grant")	**Date of Grant 27.4.2011 ("2nd Grant")**
Share price at date of grant	HK$0.6 (estimated)	HK$1.13
Exercise price	HK$0.6	HK$0.844
Suboptimal exercise factor	1.8	1.8
Expected volatility	50%	64%
Expected life	9.8 years	5 years
Expected dividend yield	5.6%	2%
Risk free rate	1.93%	1.74%

The fair value of the 1st Grant and the 2nd Grant was approximately HK$8,179,000 and HK$24,600,000, respectively. FGG recognised a share-based payment expense of approximately HK$11,156,000 for the year ended 31 March 2012 with reference to the vesting period (2011: HK$8,179,000). No share option is exercisable at the end of each reporting period. The vesting period for 1st Grant was modified, FGG recognised a share-based payment expense of approximately HK$8,179,000 for the year ended 31 March 2011 with reference to the vesting period and without taking into account of the modification.

31. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**1,899**	1,518
Deferred tax liabilities	**(88,821)**	(9,282)
	(86,922)	(7,764)

31. DEFERRED TAXATION (continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Fair value adjustments on prepaid lease payment and property, plant and equipment arising on business combination	Accelerated tax and accounting depreciation	Tax losses	Dividend withholding tax	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2010	–	329	–	5,387	–	5,716
(Credit) charge to profit or loss	–	(1,063)	(300)	3,627	(216)	2,048
At 1 March 2011	–	(734)	(300)	9,014	(216)	7,764
Acquisition of subsidiaries (note 33)	79,296	–	–	–	–	79,296
Exchange differences	–	–	–	7	–	7
(Credit) charge to profit or loss	(2,309)	(21)	300	4,231	(2,346)	(145)
At 31 March 2012	**76,987**	**(755)**	**–**	**13,252**	**(2,562)**	**86,922**

At the end of the reporting period, the Group had unused tax losses of approximately HK$9,140,000 (2011: HK$28,818,000) available for offset against future profits. Losses of HK$18,629,000 (2011: Nil) expired during the current period. No deferred tax asset on the unused tax losses of HK$9,140,000 (2011: HK$27,619,000) has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

The Group also had deductible temporary difference of approximately HK$62,301,000 (2011: HK$52,674,000) in respect of accelerated accounting depreciation. A deferred tax asset has been recognised to the extent of HK$4,576,000 (2011: HK$4,448,000). No deferred tax asset has been recognised in respect of the remaining deductible temporary difference of HK$57,725,000 (2011: HK$48,226,000) due to the unpredictability of future profit streams.

Under the EIT Law of the PRC withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries in the consolidated financial statements.

32. MAJOR NON-CASH TRANSACTIONS

(i) The consideration of the Global Honour Acquisition (as defined in note 33) was satisfied by an issuance of 257,584,430 ordinary shares of the Company. Details of the transaction are set out in note 33.

(ii) Detail of scrip dividends in lieu of cash are set out in note 29.

33. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Global Honour Investments Limited ("Global Honour")

On 29 July 2011, the Group completed its acquisition of the entire equity interest in Global Honour, an investment holding company, from Time View Investments Limited ("Time View") (the "Global Honour Acquisition").

The issued share capital of Time View is indirectly owned as to 50% each by (i) a discretionary trust whose beneficiaries are the family members of Mr. Li Ming Hung and (ii) a discretionary trust whose beneficiaries are the family members of Mr. Chen Tien Tui. Both Mr. Li Ming Hung and Mr. Chen Tien Tui are directors of the Company who has significant influence over the Company.

Global Honour owns the entire equity interest in Nanjing Synergy which is a company established in the PRC and engaged in the manufacture and sales of yarn.

In the opinion of the Directors, the Global Honour Acquisition would provide the Group an opportunity to gain access to the upstream operation of its production line.

(b) Acquisition of Global Trend Investments Limited ("Global Trend")

On 21 March 2012, the Group completed its acquisition of the entire equity interest in Global Trend, an investment holding company, from certain independent third parties (the "Global Trend Acquisition").

Global Trend owns the entire equity interest in Jerash Garments and Fashions Manufacturing Company Limited which is a company incorporated in Jordan and engaged in the manufacture of garment products.

In the opinion of the Directors, the Global Trend Acquisition would provide the Group an opportunity to expand its production capacity.

33. ACQUISITION OF SUBSIDIARIES (continued)

Details of the consideration transferred, assets acquired and liabilities assumed in respect of the acquisitions are as follows:

Consideration transferred

	Notes	Global Honour HK$'000	Global Trend HK$'000	Total HK$'000
Cash consideration paid		–	4,000	4,000
Consideration payable		–	3,500	3,500
Share consideration	(i)	298,205	–	298,205
		298,205	7,500	305,705
Fair value of assets and liabilities recognised at the date of acquisition				
Non-current assets				
Property, plant and equipment		451,562	10,226	461,788
Prepaid lease payments		164,367	–	164,367
Other assets		7,124	–	7,124
Current assets				
Prepaid lease payment		3,252	–	3,252
Bank balance and cash		21,139	2,293	23,432
Trade and other receivables	(ii)	15,152	10,204	25,356
Inventories		163,754	74	163,828
Current liabilities				
Trade and other payables		(171,872)	(15,726)	(187,598)
Taxation payable		(5,544)	–	(5,544)
Bank borrowings – amount due within one year		(186,386)	–	(186,386)
Non-current liabilities				
Deferred tax liabilities		(79,296)	–	(79,296)
		383,252	7,071	390,323
Gain of bargain purchase	(iii)	85,047	–	85,047
Goodwill arising on acquisition	(iv)	–	429	429
Net cash inflow (outflow) arising on acquisition				
Cash consideration paid		–	(4,000)	(4,000)
Less: Cash and cash equivalents acquired		21,139	2,293	23,432
		21,139	(1,707)	19,432

33. ACQUISITION OF SUBSIDIARIES (continued)

notes:

(i) The consideration was satisfied by an issuance of 257,584,430 ordinary shares of the Company with par value of HK$0.01 each. These shares cannot be transferred within one year from the date of issue without written consent of the Company. The fair value of these shares was arrived at based on the market price of the Company's freely tradable shares as at the date of the acquisition and discounted by 14.87% to take into account of the effect of the restriction on transfer.

(ii) The fair value of the receivables acquired approximate to their carrying value as the contracted gross cash flows are expected to be fully collectible.

(iii) The gain on bargain purchase on the Global Honour Acquisition was mainly attributable to the decline in market price of the consideration shares from the date of entering the conditional sale and purchase agreement to the date of completion of the Global Honour Acquisition.

(iv) The goodwill is attributable to the potential benefits to be derived from an additional offshore manufacturing outlet. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

(v) Acquisition-related costs of HK$2,096,000 have been excluded from the cost of acquisitions and have been recognised directly as an expense in the year and included in the "other expenses" line item in the consolidated statement of comprehensive income.

(vi) Included in the revenue and profit for the year are HK$157,029,000 and HK$6,339,000, respectively attributable to Global Honour and its subsidiary. The revenue and loss for the year attributable to Global Trend and its subsidiary are negligible.

Had the acquisitions been effected on 1 April 2011, the revenue of the Group for the year would have been HK$3,910,149,000, and the profit for the year would have been HK$355,929,000. This pro forma information is for illustration purpose only and is not necessarily an indication of the Group's revenue and results of operations that would actually have been achieved had the acquisitions been completed on 1 April 2011, nor is intended to be a projection of future results. In determining the above pro forma revenue and profit of the Group, the directors calculated depreciation of property, plant and equipment and release of prepaid lease payment based on the recognised amounts of property, plant and equipment and prepaid lease payment at the dates of the acquisitions.

(vii) As disclosed in note 37 (ii), Nanjing Synergy is a supplier to the Group. Accordingly, intragroup revenue and profit between Nanjing Synergy and the Group was excluded from above.

34. PLEDGE OF ASSETS

As at 31 March 2012, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2012 **HK$'000**	2011 HK$'000
Property, plant and equipment	**101,792**	50,461
Investment property	**31,000**	–
Prepaid lease payment	**18,387**	4,141
Other assets	**7,124**	–
	158,303	54,602

35. COMMITMENTS

(i) Capital commitments

	2012 HK$'000	2011 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	**60,717**	48,174

(ii) Operating lease commitments

The Group as lessee

	2012 HK$'000	2011 HK$'000
Minimum lease payments paid under operating leases in respect of office premises and warehouses during the year	**8,316**	6,528

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and warehouses which fall due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**6,702**	5,576
In the second to fifth year inclusive	**14,712**	7,761
	21,414	13,337

Included in the above are lease commitment to a related part of HK$108,000 (2011: HK$108,000) and the operating lease payment represents rental payable by the Group for its office premises and warehouse. Leases are negotiated for terms ranging from one to five years and rental is fixed throughout the lease period.

36. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

The following is a condensed statement of financial position of the Company as at 31 March 2012:

	2012 HK$'000	2011 HK$'000
Investments in subsidiaries	**2,284,334**	1,521,749
Amounts due from subsidiaries	**249,712**	641,617
Others	**641**	1,727
	2,534,687	2,165,093
Other payables	**1,737**	1,183
Amount due to subsidiaries	**1,632**	35,621
	3,369	36,804
	2,531,318	2,128,289
Capital and reserves		
Share capital	**15,474**	12,226
Reserves (note)	**2,515,844**	2,116,063
	2,531,318	2,128,289

note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2010	968,089	39	–	455,188	1,423,316
Profit for the year	–	–	–	500,000	500,000
2010 Final dividend declared	–	–	42,564	(42,564)	–
2011 Interim dividend declared	–	–	36,374	(36,374)	–
Place of new shares, net of issue costs	226,058	–	–	–	226,058
Issue of shares under scrip dividend for 2010 final	27,992	–	(28,176)	–	(184)
Issue of shares under scrip dividend for 2011 interim	17,635	–	(17,736)	–	(101)
Dividends paid in cash	–	–	(33,026)	–	(33,026)
At 31 March 2011	1,239,774	39	–	876,250	2,116,063
Profit for the year	–	–	–	148,816	148,816
2011 Final dividend declared	–	–	48,903	(48,903)	–
2012 Interim dividend declared costs	–	–	48,083	(48,083)	–
Issue of shares as consideration for acquisition of subsidiaries	295,630	–	–	–	295,630
Issue of shares under scrip dividend for 2011 final	26,699	–	(27,010)	–	(311)
Issue of shares under scrip dividend for 2012 interim	25,622	–	(25,984)	–	(362)
Dividends paid in cash	–	–	(43,992)	–	(43,992)
At 31 March 2012	**1,587,725**	**39**	**–**	**928,080**	**2,515,844**

37. RELATED PARTY DISCLOSURES

Other than the Global Honour Acquisition as disclosed in note 33, the Group entered the following transactions with related parties:

(i) During the year, the Group paid operating lease rental of approximately HK$108,000 (2011: HK$108,000) to Verdure Enterprises Limited ("Verdure"). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family.

The payment of the above operating lease rental constitutes an exempted connected transaction under Chapter 14A of the Listing Rules.

(ii) During the year and prior to the Global Honour Acquisition (note 33), the Group purchased yarn from Nanjing Synergy in the amount of HK$154,857,000 (2011: 374,947,000). As at the date of the Global Honour Acquisition, the Group also placed an amount of HK$60,253,000 (2011: HK$66,137,000) at Nanjing Synergy as a purchase deposit.

Nanjing Synergy was a related party to the Group prior to the Global Honour Acquisition.

(iii) During the year ended 31 March 2012, the Group purchased apparel from 加美（清遠）製衣有限公司 (Kimberley (Qing Yuan) Garment Limited) ("Kimberley") in the amount of HK$75,385,000 (2011: HK$81,536,000). At 31 March 2012, the Group also placed an amount of approximately HK$13,276,000 (2011: HK$18,234,000) at Kimberley as a trade deposit.

Kimberley is controlled by a director of a subsidiary of the Company.

(iv) During the year ended 31 March 2010, the Company and certain of its subsidiaries had provided guarantees in favour of several banks in respect of facilities granted by the banks to FGG, a non-wholly owned subsidiary of the Company in which Mr. Choi Lin Hung, a Director and a Shareholder, has beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to FGG as at 31 March 2010 amounted to HK$493 million. The amount of financial assistance provided exceeded the proportional interest of the Company in FGG. The provision of the guarantees constituted connected transactions under Rule 14A.13(2) of the Listing Rules. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant subsidiaries of the Company.

Such guarantees were released during the year ended 31 March 2011.

(v) The remuneration of Directors and other members of key management during the year was as follows:

	2012 HK$'000	2011 HK$'000
Short-term benefits	**17,804**	18,345
Post employment benefits	**250**	250
	18,054	18,595

The remuneration of Directors and key executives is determined by the Board and the Remuneration Committee having regard to the performance of individuals and market trends.

38. EVENTS AFTER THE REPORTING PERIOD

(i) On 2 April 2012, the Company granted 120,000,000 share options to eligible participants under the 2011 Scheme. The fair value of the share options granted is estimated at HK$28,300,000, and would be recognised in profit or loss for the year ending 31 March 2013.

(ii) In May 2012, FGG established a subsidiary with certain independent third parties whereby FGG would own and control 51% of the subsidiary which is engaged in the trading of branded garment and other products. Pursuant to the shareholders' agreement, FGG is to (i) subscribe 51% of issued share capital at par in the subsidiary and (ii) procure funding to the extent of US$3 million as general working capital for the subsidiary.

(iii) On 15 March 2012, the Group obtained a syndicated loan facility with an aggregate amount of HK$1,388 million. An upfront payment of loan arrangement fee amounting to HK$29,099,000 was paid during the year ended 31 March 2012. The entire amount of the syndicated loan has been drawn down subsequent to the reporting date. Details of which are set out in note 22.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2012	Attributable to the Group 2011	Held by the Company 2012	Held by the Company 2011	Held by subsidiaries 2012	Held by subsidiaries 2011	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	**100**	100	–	–	**100**	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	**100**	100	–	–	**100**	100	Trading of dyed yarn
Elite Sound Investments Limited	Hong Kong	Ordinary HK$1	**100**	100	–	–	**100**	100	Investment holding
Ford Glory Holdings Limited (note vi)	British Virgin Islands	Ordinary USD100	**37.3**	37.3	–	–	**100**	100	Investment holding
FGG (note v)	Bermuda	Ordinary HK$4,380,000	**37.3**	37.3	–	–	**72.5**	72.5	Investment holding
Ford Glory International Limited (note vi)	Hong Kong	Ordinary HK$5,000,000	**37.3**	37.3	–	–	**100**	100	Trading of garment products
Global Honour	British Virgin Islands	Ordinary USD1	**100**	–	–	–	**100**	–	Investment holding
Glory Time Limited (note vi)	Hong Kong	Ordinary HK$100	**26.1**	26.1	–	–	**70**	70	Trading of garment products

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage Attributable to the Group 2012	2011	Held by the Company 2012	2011	Held by subsidiaries 2012	2011	Principal activities
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	**100**	100	**-**	–	**100**	100	Provision of management services
PT. Victory Apparel Semarang (note vi)	Indonesia	Ordinary USD300,000	**37.3**	37.3	**-**	–	**100**	100	Manufacture of garment products
Sure Strategy Limited	British Virgin Islands	Ordinary USD100	**51**	51	**-**	–	**51**	51	Investment holding
Value Plus (Macao Commercial Offshore) Limited (note vi)	Macau	MOP100,000	**37.3**	37.3	**-**	–	**100**	100	Provision of quality inspection services
Victory Apparel (Jordan) Manufacturing Company Limited (note vi)	Jordan	Ordinary JD50,000	**37.3**	37.3	**-**	–	**100**	100	Manufacture of garment products
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred (note i) HK$8,000,000	**100**	100	**-**	–	**100**	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary USD6	**100**	100	**100**	100	**-**	–	Investment holding
Victory City Investments Limited	British Virgin Islands	Ordinary USD1	**100**	100	**100**	100	**-**	–	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary USD2 Preference USD3,300 (note ii)	**100**	100	**-**	–	**100**	100	Investment holding
江門市新會區冠華針織廠有限公司("Xinhui Victory City") (note iii)	PRC	USD20,944,510	**100**	100	**-**	–	**100**	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 (note iii)	PRC	USD6,595,167	**100**	100	**-**	–	**100**	100	Dyeing of yarn and provision of related subcontracting services

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2012	Attributable to the Group 2011	Held by the Company 2012	Held by the Company 2011	Held by subsidiaries 2012	Held by subsidiaries 2011	Principal activities
江門冠暉製衣有限公司 (notes iii and vi)	PRC	Registered HK$30,000,000	**37.3**	37.3	**–**	–	**100**	100	Manufacture of garment products
福之源貿易(上海)有限公司 (notes iii and vi)	PRC	Registered RMB1,000,000	**37.3**	37.3	**–**	–	**100**	100	Trading of garment products and accessories
江門市冠達紡織材料有限公司 (“江門冠達”)	PRC	(note iv)	**60**	60	**–**	–	**60**	60	Mixing of chemicals
Nanjing Synergy (note iii)	PRC	Registered USD39,000,000	**100**	–	**–**	–	**100**	–	Manufacture and sales of yarn

notes:

(i) The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of respective subsidiaries or to participate in any distribution on a winding-up.

(ii) The redeemable non-voting preference shares of VCOL, which are held by Messrs. Li Ming Hung, Chen Tien Tui and Choi Lin Hung, carry minimal right to receive notice of or to attend or vote at any general meeting of VCOL. On a winding-up, the holders of the redeemable non-voting preference shares shall be entitled to receive a return of the capital paid up on the redeemable non-voting preference shares held by them respectively.

(iii) This company is a wholly foreign owned enterprise incorporated in the PRC with limited liability.

(iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門冠達 was approximately RMB15,000,000 as at 31 March 2012.

(v) FGG is controlled by the Company through its non-wholly owned subsidiary, Sure Strategy Limited.

(vi) The companies are subsidiaries of FGG, which the Company has indirect control over those companies.

None of the subsidiaries had any debt securities subsisting at 31 March 2012 or at any time during the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
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