TUNGTEX

(Holdings) Company Limited
同得仕（集團）有限公司
Stock Code 股份代號：00518

Annual Report 年報

2010

OUR VISION
本集團的目標

To be a leader in providing fashion solution to global apparel buyers, leading in terms of reliability, superb product quality, customized solutions, and maximizing value and satisfaction.

我們銳意成為向全球成衣買家提供時尚服裝方案的領導者，尤其在可靠性、出眾品質、度身訂做方案、最高價值及滿意度各方面均領導同業。

Major Factories / Offices
主要廠房／辦公室

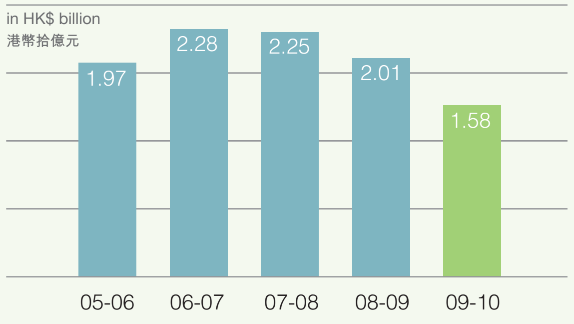
Wholesale Label
in the United States
位於美國之批發品牌

ZELDA

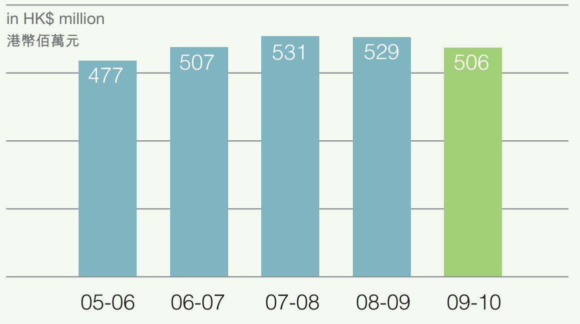
Retail Stores
in China
位於中國之零售店鋪

betu

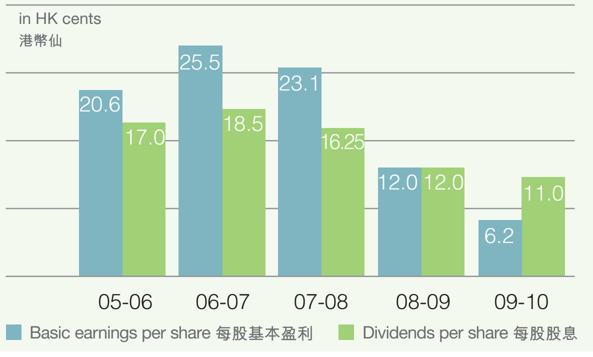
Turnover
營業額



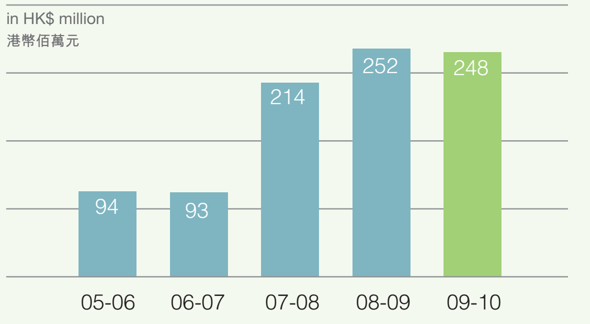
Equity attributable to owners of the Company
本公司擁有人應佔權益



Basic earnings per share and Dividends per share
每股基本盈利及股息



Net cash
現金淨額



TUNGTEX

(Holdings) Company Limited 同得仕（集團）有限公司

Contents

Head Office & Major Factories

Head Office - Hong Kong

Head Office & Major Factories

Hangzhou *China*	**Shenzhen** *China*	**Zhongshan** *China*
Shenzhen *China*	*Thailand*	**Panyu** *China*

Corporate Information

DIRECTORS

Executive Directors

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

Non-Executive Directors

Tung Siu Wing
Kevin Lee Kwok Bun

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lee Siu Mei

REGISTERED OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

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

betu

www.betu.com.hk

Chairman's Statement

RESULTS

I am pleased to report the result of Tungtex for the fiscal year ended March 31, 2010.

Under the continuous adversities in the aftermath of the unprecedented global financial tsunami, the Group recorded a drastic setback in operating results for the financial year 2009/2010 as expected.

The Group's profit before tax decreased by 65.2% to HK$23 million for the financial year ended March 31, 2010 while annual turnover decreased by 21.6% to HK$1,577 million. Profit attributable to owners of the Company and earnings per share dropped by 48.0% to HK$22 million and HK6.2 cents, respectively. Average return on equity reduced from 8.0% to 4.2%.

FINAL AND SPECIAL DIVIDEND

As a token of gratitude for shareholders' long-term support and in view of the confidence of results improvement in future, the Board of Directors has resolved to recommend at the forthcoming Annual General Meeting a final dividend of HK2.5 cents per share (2009: HK7.75 cents per share) and a special dividend of HK5.0 cents per share (2009: Nil), payable on August 31, 2010 to shareholders whose names appear on the Register of Members on August 24, 2010. Together with an interim dividend of HK3.5 cents per share (2009: interim dividend HK4.25 cents per share), the total dividends for the year will be HK11.0 cents per share (2009: HK12.0 cents per share).

BUSINESS REVIEW

The Group's export sales to North America continued to be seriously affected in the aftermath of global financial tsunami. In the U.S., the major export market of the Group, there was no ordinary economic recession in the first few months immediately after the outbreak of the financial tsunami. The significant negative income effect resulted from sharp fall in asset prices, and the high and rising unemployment caused severe contraction in consumer confidence and spending. The lack of credit in the market also led to our most stringent than ever trade receivable risk control which furthered our prudence in accepting orders. As a result, export sales for the first half of the year under review was especially hard hit.

The U.S. economy started growing only in the third quarter of 2009 after plunging into a brutal recession for consecutive four quarters triggered by the financial crisis. Despite the second-half economic growth in 2009, the U.S. economy contracted for the whole year of 2009 by 2.4%, the largest one-year contraction of economy in the past 70 years. During the year under review, despite the continuous easing monetary policy and fiscal stimulus, the credit condition remained tight and rising unemployment persisted and remained at high rate of just below 10%. Consumption of apparel other than moderate-price merchandises in the U.S. market was still relatively sluggish and retailers continued their tight control on inventories and purchased merchandises at prudent order volume and price. All these factors accounted for the underperformance in the Group's annual export sales to the U.S. compared to last year. Compared to the first half period, however, the Group managed to increase the export sales for the second half of the year under review.

During the year under review, total export sales to North America dropped by 25.1% to HK$1.3 billion, accounting for 81.8% of the Group's turnover. On the other hand, our "Zelda" brand business kept on operating in a lean and efficient scale. Thanks to our dedicated marketing strategy and greater penetrating efforts, export sales to Europe and other markets saw a slight increase by 1.5% to HK$133 million, representing 8.4% of the Group's turnover.

The Group continued its tight control over costs and enhancement of operating efficiency. While we strengthened and re-expanded the labour forces and production capacities in China, we also took a strategic initiative to cease the production operation in the Philippines and consolidated the production lines in Thailand.

During the year, the PRC government rolled out a series of effective measures, including fiscal, monetary and structural policies, to cushion the negative impact of the financial tsunami, and accelerated the efforts to boost domestic consumption to offset the drop in export and spur its economic growth. Consequently, China's macro-economy remained relatively stable. Benefiting from such environment and condition, as well as our strenuous efforts in restructuring our retail distribution network, total retail sales in Mainland China for the year increased by 1.2%, accounting for 7.1% of the Group's turnover. By the end of the year, the Group has 86 directly managed "Betu" stores and 52 franchised stores in Mainland China.

PROSPECTS

Although the U.S. economy might have broken away the worst period of the financial crisis, there are still many hidden uncertainties in the recovery process. While the market also worries whether the U.S. home sales and the property market recovery will continue upon the expiration of the tax stimulus plan, the job market remains sluggish and the performance of retail sales still fluctuates despite the seasonal upswing. It is still in doubt whether the consumer market can maintain its pace of growth in the balance of 2010. Meanwhile, huge fiscal deficits and debt problems prevailed in Europe, the risk of continuous depreciation in the Euro exchange rate, and the current fragile base of global financial stability could slow the economic recovery pace of the U.S. and Europe inevitably.

Chairman's Statement

Under the recent international pressure and the China government's recent move to proceed with reform of Renminbi, it is expected in the market that there will not be any one-off revaluation of Renminbi in the short term, but Renminbi may appreciate gradually in the long run instead. At the mean time, the rising costs of labor and raw materials will continue to pose a pressure on operating margin and an industry-wide increase in product price.

The Group will persist in optimizing its products, production process and talent management to ensure the continuous improvement of core competences and build our long-term growth. We continue to implement lean management across all areas, particularly merchandising and production functions to improve our operational efficiency and control our costs stringently. We are committed to create higher value for our customers in their whole process of procurement and further strengthen our mutual partnering relationships. We are expanding product design and fabric development platform to meet the fashion trends and make more value-added product offerings to our customers. The Group will closely monitor the recovery and market changes in the U.S. to pave the growing track for our "Zelda" brand business in future. Barring any unforeseeable circumstances, based on the current order book, we expect to achieve a growth in the Group's turnover for the first half of the financial year 2010/2011 as compared to the same period in 2009/2010.

Despite the severe market competition, the retail market in Mainland China is believed to benefit from several long-term positive factors including strong economic fundamentals, fast economic development, urbanization and increase in per capita income in China. In the short term, the government's measures to hold back the overheating property market that may in some degree have an impact on consumers' buying sentiment. Nevertheless, the Group is prepared to meet new opportunities arising in the course of long-term economic growth in China. We will continue to build our retail business through introducing new brand image, revamping product and store design, proactive marketing, stringent inventory control and healthy expansion of franchise business. As at the report date, there are 165 "Betu" stores across Mainland China, of which 70 are operated by franchisees.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my heartfelt thanks to our esteemed clients, business partners and shareholders for their long lasting trust and support. I also give my sincere gratitude to the Group's management team and staff throughout the world for their commitment, continued hard work and dedication to the long-term development of the Group under such an unprecedented harsh business environment. Last but not least, I would like to extend my grateful appreciation to all directors for their valuable guidance and dedicated support.

Benson Tung Wah Wing
Chairman

Hong Kong, June 30, 2010


betu

Profile of Directors and Senior Management

DIRECTORS

Executive Directors:

Benson Tung Wah Wing
Chairman
Chairman of Remuneration Committee
Aged 59, is the principal founder of the Group and has been involved in the garment industry since 1967. Under his leadership, the Group was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1988. He is the brother of Mr. Tung Siu Wing, the uncle of Mr. Raymond Tung and the father of Mr. Martin Tung and Mr. Billy Tung. He and his spouse, Madam Wong Fung Lin, together own 100% equity interests in equal share in Corona Investments Limited ("Corona"). Corona is the substantial shareholder of the Company (as disclosed in the section headed "SUBSTANTIAL SHAREHOLDERS" in the Directors' Report).

Alan Lam Yiu On
Managing Director
Aged 48, was appointed as an executive director in 1995, the deputy managing director in 2001 and then the managing director in 2003. Prior to joining the Company in 1988, he worked for an international accounting firm for over 3 years. He holds a Professional Diploma in Accountancy from The Hong Kong Polytechnic University.

Raymond Tung Wai Man
Aged 44, joined the Group in 1988 and was appointed as an executive director in 2000. He is also an executive director of Tungtex Trading Company Limited. He holds a Post-experience Certificate in Engineering Business Management from The University of Warwick. He is the nephew of Mr. Benson Tung and Mr. Tung Siu Wing and the cousin of Mr. Martin Tung and Mr. Billy Tung.

Martin Tung Hau Man
Aged 35, joined the Group in 2000 and was promoted to assistant director in 2002 and was appointed as an executive director in 2010. He is also the managing director of Sing Yang Trading Limited. He holds a Bachelor of Arts Degree in Economics from Simon Fraser University and a Master of Science Degree in Engineering Business Management from The University of Warwick. He is the son of Mr. Benson Tung, the brother of Mr. Billy Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung.

Billy Tung Chung Man
Aged 33, joined the Group in 2001 and was promoted to assistant director in 2003 and was appointed as an executive director in 2010. He is also the managing director of the Group's retail operation. He holds a Bachelor of Engineering Degree in Civil Engineering from The University of Warwick and a Master of Science Degree in Information Technology from University College London. He is the son of Mr. Benson Tung, the brother of Mr. Martin Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung.

Non-executive Directors:

Tung Siu Wing

Aged 60, is a co-founder of the Group. He was redesignated as a non-executive director of the Company in 2002. He has been involved in the garment industry for over 44 years. He is a brother of Mr. Benson Tung and the uncle of Mr. Raymond Tung, Mr. Martin Tung and Mr. Billy Tung.

Kevin Lee Kwok Bun

Aged 60, was appointed as an executive director of the Company in 1987. He was redesignated as a non-executive director of the Company in 1995. Prior to joining the Company, he worked for an international accounting firm for 10 years and held the position of chief financial officer at two local listed companies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Canadian Institute of Chartered Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Science Degree from The University of Hong Kong.

Independent Non-executive Directors:

Johnny Chang Tak Cheung

Aged 67, has been a non-executive director of the Company since the listing of the Company's shares in 1988. He was redesignated as an independent non-executive director of the Company in 1995. He has 42 years' experience in the garment business and is currently a director of a famous shirt making private company. He is the uncle of Mr. Tony Chang.

Tony Chang Chung Kay

Member of Audit Committee and Remuneration Committee

Aged 54, was appointed as a non-executive director of the Company in 1994. He was redesignated as an independent non-executive director of the Company in 1995. He is a director of a famous shirt making private company and has 33 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University. He is the nephew of Mr. Johnny Chang.

Joseph Wong King Lam

Chairman of Audit Committee

Member of Remuneration Committee

Aged 58, was appointed as an independent non-executive director of the Company in 2004. He had been the company secretary of the Company from 1987 to 1991 and had been the financial controller of the Company from 1987 to 1992. He has more than 30 years' extensive experience in auditing, corporate and financial management with a number of companies in different business sectors which include an international accounting firm and a local listed company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Wong is the executive director of Asia Resources Holdings Limited, Karce International Holdings Company Limited and Grand Field Group Holdings Limited. He was an independent non-executive director of China Strategic Holdings Limited, Hanny Holdings Limited, China Infrastructure Investment Limited and Wing On Travel (Holdings) Limited respectively until 2007. All of the above companies' shares are listed on the Main Board of the Stock Exchange.

Profile of Directors and Senior Management

Robert Yau Ming Kim

Member of Audit Committee

Aged 71, was appointed as an independent non-executive director of the Company in 2006. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he first served as trade officer in the Hong Kong Government in 1964. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organization) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, which shares are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Dixon Ng Po Chuen

Aged 54, is the managing director of Golden Will Fashions Limited. He joined the Group in 1991 and has 35 years' experience in the garment industry. He holds a Certificate in Clothing from the Institute of Vocational Education (Kwun Tong).

Eugene Cheng Kam Fai

Aged 50, is an assistant general manager of the Company and the group human resources manager. He joined the Company in 2003 and has 21 years' experience in professional human resources management in various industries, including banking, manufacturing and service. He holds a Bachelor of Arts Degree and a Master of Business Administration Degree from the Executive MBA programme at The Chinese University of Hong Kong.

Lee Siu Mei

Aged 36, is the group financial controller and the company secretary of the Company. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company in 1999, she worked for an international accounting firm for about 3 years. She holds a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong and a Master of Science Degree in Engineering Business Management from The University of Warwick.

Lydia So Siu Chun

Aged 48, is the general manager – production of the Group. She joined the Group in 2000 and has 29 years' experience in the garment industry.

Roger Kan Wai Sing

Aged 49, is the general manager – production of the Group. He joined the Group in 1997 and has 26 years' experience in the garment industry. He holds a Higher Diploma in Fashion and Clothing Technology and a Master of Business Administration Degree in Fashion Business from The Hong Kong Polytechnic University.

Chan Chung Choi
Aged 64, is an in-house consultant on quality production management of the Group. He joined the Company in 2002 and has 39 years' experience in the garment industry. He holds a Certificate in Apparel Engineering from Kurt Salmon Associates Inc. and a Bachelor of Social Science Degree from The Chinese University of Hong Kong.

Amy Kwok Yiu Hung
Aged 47, is the general manager of the Hong Kong office of Yellow River Inc. She joined the Group in 1988 and has 26 years' experience in the garment industry. She holds a Higher Diploma in Fashion and Clothing from The Hong Kong Polytechnic University.

Joe Hui Siu Ngor
Aged 46, is the general manager of Do Do Fashion Limited in charge of Sales and Marketing. She joined the Group in 1987 and has 23 years' experience in the garment industry.

Monnie Tong Lai Ying
Aged 49, is the general manager of Do Do Fashion Limited in charge of Finance and Administration. She joined the Group in 1988 and has 26 years' experience in the garment industry.

Tammy Wong Ming Hung
Aged 51, is a director of Yellow River, Inc.. Prior to joining Yellow River, Inc. in 1986, she worked for Do Do Fashion Limited for 9 years. She has 33 years' experience in the garment industry.

Daniel Kwok Sui Chuen
Aged 56, is the president of THL Inc. Prior to joining the Group in 2004, he was the owner and senior management of number of apparel manufacturing and retail companies in the United States. He has 26 years' experience in the garment industry. He holds a Bachelor of Science Degree from Stanford University and a Master of Business Administration Degree from The University of Chicago.

Dong Zhong Hui
Aged 55, is the assistant general manager of China operation and a director of Sing Yang (Overseas) Limited. He joined the Group in 1983 and has 30 years' experience in the garment industry. He graduated from the Physics Department of Shanghai Fudan University.

OPERATING RESULTS

Affected by the global financial tsunami, the Group's turnover for the year decreased by 21.6% to HK$1,577 million. Profit attributable to owners of the Company and earnings per share for the year dropped by 48.0% to HK$22 million and HK6.2 cents, respectively.

The decline of turnover was due to the combined effect of decrease of 25.1% in export sales to North America, decrease of 3.5% in sales in Asia and increase of 1.5% in export sales to Europe and other markets. The pre-tax profit contribution from North America segment decreased by 52.9% to HK$60 million. The pre-tax profit contributions from Asia segment slightly decreased by 2.4%, while Europe and other markets segment increased by 3.5% as Asia, Europe and other markets were less affected by the financial crisis than the U.S. market. Accordingly, the consolidated pre-tax profit contribution recorded a decrease of 45.1% to HK$82 million.

As price and volume were under downward pressure, the percentage of consolidated cost of sales to total sales increased from 77.6% to 78.6%. Through stringent cost control and improvement in operational efficiency, the Group successfully reduced selling and distribution costs to HK$95 million and administrative expenses to HK$231 million respectively. Due to low interest rate and stern discipline in utilising banking facilities, the Group's finance costs reduced by 30.3%.

Benefited from the buoyant real estate market during the year under review, the Group recorded a HK$10.2 million increase in fair value of its investment properties, as compared to a decrease in fair value of HK$5.5 million recorded last year.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$9.2 million capital expenditure (2009: HK$15.2 million). The capital expenditure mainly represented regular replacement and upgrading of production facilities.

LIQUIDITY AND FINANCIAL RESOURCES

Throughout the whole year under review, the Group's financial position remained strong. At the end of the reporting period, the Group's cash level was at HK$278 million as compared to HK$270 million of last year. Most of the cash balance was placed in USD, HKD and RMB short-term deposits with major banks earning preferential deposit interests. Total bank borrowings (being short-term RMB loans) increased from last year's HK$17 million to HK$30 million, and the bank borrowings represented 5.8% of the shareholders' funds at the end of the reporting period. With the net cash balance of HK$248 million and abundant banking facilities available, the Group had well-sufficient liquidity and financial resources to meet the operational and investment needs.

Working capital cycle was closely monitored. Inventory turnover increased to 36 days from 26 days of last year, due to relatively higher delivery volume for the first quarter of the financial year 2010/2011. Trade receivables turnover of this year was 41 days, compared to 31 days of last year. Slower turnover was the result of the drastic drop in total annual sales for the year under review as compared to last year. Current ratio and quick ratio remained the same as compared to last year, being 2.3 and 1.8 respectively.

As at March 31, 2010, certain land and buildings with an aggregate net book value of approximately HK$12 million (2009: HK$13 million) and certain investment properties with an aggregate carrying value of approximately HK$34 million (2009: HK$27 million) were pledged to banks to secure general banking facilities granted to the Group. No additional tangible security was given to banks during the year.

TREASURY POLICY

The Group continued to adopt prudent policies to hedge exchange rate and interest rate risks associated with our core business. It is our Group's policy not to engage in speculative activities. The majority of our export sales are denominated in USD while a tiny portion destined for the European markets is denominated in EUR. As a substantial portion of the purchases and overheads are denominated in RMB, the Group entered into forward contracts to hedge the risks as deemed appropriate.

HUMAN RESOURCES

The Group regards employees as our most important asset and the important element of our long-term success. Building a strong and coherent team has always been our management priority. We appreciate competent staff who develop their careers with our corporate value and long-term organizational development, and provides them with opportunities. The Group is determined to raise the value of each employee, and to build a strong and competitive team to meet any future challenge. We offer competitive remuneration packages with reference to the market practice, incentivize our outstanding employees on performance-linked basis and grant options to eligible employees in order to ensure their interests aligned with that of the Group. Through offering job satisfaction and empowerment, we aim to insist in all our employees a sense of ownership of the corporate goals.

As at March 31, 2010, the Group has 5,700 employees globally, as compared to 7,300 as at March 31, 2009. Such change was mainly caused by the decrease of production workers for factories in Asian countries.


ZELDA

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

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

A. DIRECTORS

A.1 The Board

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

During the year ended March 31, 2010, the Board held five regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

Name of director	Number of attendance
Mr. Benson Tung Wah Wing	5/5
Mr. Alan Lam Yiu On	5/5
Mr. Raymond Tung Wai Man	5/5
Mr. Martin Tung Hau Man (appointed on March 23, 2010)	0/5
Mr. Billy Tung Chung Man (appointed on March 23, 2010)	0/5
Mr. Tung Siu Wing	5/5
Mr. Kevin Lee Kwok Bun	5/5
Mr. Johnny Chang Tak Cheung	5/5
Mr. Tony Chang Chung Kay	5/5
Mr. Joseph Wong King Lam	5/5
Mr. Robert Yau Ming Kim	4/5

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

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

A.2 Chairman and Managing Director

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

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

A.3 Board composition

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

Executive directors:
Mr. Benson Tung Wah Wing *(Chairman)*
Mr. Alan Lam Yiu On *(Managing Director)*
Mr. Raymond Tung Wai Man
Mr. Martin Tung Hau Man (appointed on March 23, 2010)
Mr. Billy Tung Chung Man (appointed on March 23, 2010)

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

Independent non-executive directors:
Mr. Johnny Chang Tak Cheung
Mr. Tony Chang Chung Kay
Mr. Joseph Wong King Lam
Mr. Robert Yau Ming Kim

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

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

A.4 Appointment, re-election and removal

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 10 to 13.

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

A.5 Responsibilities of directors

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended March 31, 2010. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

A.6 Supply of and access to information

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

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

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

During the year ended March 31, 2010, the Remuneration Committee held two meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Benson Tung Wah Wing *(Chairman)*	2/2
Mr. Tony Chang Chung Kay	2/2
Mr. Joseph Wong King Lam	2/2

In order to attract and retain suitable and high-calibre personnel, to incentive them to contribute to the future development and growth of the Group and any Invested Entity, a share option scheme was adopted by the Company on September 5, 2006. Details of the share option scheme are set out in note 31 to the consolidated financial statements.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

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

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The preparation of the financial statements for the year ended March 31, 2010 is in accordance with statutory requirements and applicable accounting standards.

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

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

C.2 Internal controls

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

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

Resources, qualifications and experience of the Group's accounting staff and financial reporting function, and their training programmes and budget are considered by the Board from time to time.

C.3 Audit Committee

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

During the year ended March 31, 2010 the Audit Committee held four meetings with attendance record as follows:

Name of member	**Number of attendance**
Mr. Joseph Wong King Lam (Chairman)	4/4
Mr. Tony Chang Chung Kay	4/4
Mr. Robert Yau Ming Kim	4/4

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended March 31, 2010 and the interim accounts for six months ended September 30, 2009 respectively with senior management and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, and financial reporting matters.

C.4 Remuneration to the external auditors of the Company

The remuneration to the external auditors of the Company for the year ended March 31, 2010 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit services	1,829
Non-audit services	
– taxation services	214
– other services	354

D. DELEGATION BY THE BOARD

D.1 Management functions

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

D.2 Board committees

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

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting ("AGM"). The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company gives at least 20 clear business days' prior notice to shareholders before the AGM. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

At the 2009 AGM, a separate resolution was proposed in respect of each substantially separate issue, including the re-election of individual directors. The Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2009 AGM and were available to answer questions of the shareholders.

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

E.2 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2009 AGM.

At the 2010 AGM, the chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules.

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended March 31, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments, which contributed for more than 90% of the Group's turnover and profit for the year. The activities of its principal subsidiaries and associates are set out in notes 19 and 20 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 21% and 51%, respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 23% and 37%, respectively.

At no time during the year did a director, associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2010 are set out in the consolidated income statement on page 34 of the annual report.

An interim dividend of HK3.5 cents per share amounting to HK$12,311,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK2.5 cents per share and a special dividend of HK5.0 cents per share to the shareholders on the register of members on August 24, 2010, amounting to HK$26,380,000 in aggregate.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2010 represented the retained profits of HK$303,951,000 (2009: HK$206,578,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 102 of the annual report.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at March 31, 2010. The increase in fair value of investment properties of HK$10,160,000 is recognised in the consolidated income statement. Details of the movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group has incurred HK$9,249,000 capital expenditure. It mainly represented regular replacement and upgrading of production facilities.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

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

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

DIRECTORS

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

Executive directors:

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man (appointed on March 23, 2010)
Billy Tung Chung Man (appointed on March 23, 2010)

Non-executive directors:

Tung Siu Wing
Kevin Lee Kwok Bun

Independent non-executive directors:

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

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

In accordance with Article 87 of the Company's Articles of Association, Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man retire and, being eligible, offer themselves for re-election.

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

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

At March 31, 2010, the interests and short positions of the directors, the chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Number of share options held	Total interests	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*/ Beneficial owner	125,049,390	1,500,000	126,549,390	35.97%
Alan Lam Yiu On	Beneficial owner	350,000	1,500,000	1,850,000	0.52%
Raymond Tung Wai Man	Beneficial owner	400,000	1,000,000	1,400,000	0.39%
Martin Tung Hau Man	Beneficial owner	–	1,000,000	1,000,000	0.28%
Billy Tung Chung Man	Beneficial owner	298,000	1,000,000	1,298,000	0.36%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	–	9,000,000	2.55%
Johnny Chang Tak Cheung	Beneficial owner/ Beneficiary of a trust *(note b)*	1,941,680	–	1,941,680	0.55%
Tony Chang Chung Kay	Beneficial owner	3,494,760	–	3,494,760	0.99%
Joseph Wong King Lam	Beneficial owner	1,390	–	1,390	0.000395%

Notes:

(a) Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, together own 100% equity interests in equal share in Corona. Corona owned 125,049,390 ordinary shares in the Company as at March 31, 2010, representing 35.55% of the issued share capital of the Company.

(b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 231,680 ordinary shares in the Company as at March 31, 2010. He is also a beneficiary of a trust, Chaco International Limited, which owned 1,710,000 ordinary shares in the Company as at March 31, 2010.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at March 31, 2010, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the share option scheme and the movements in share options of the Company are set out in note 31 to the consolidated financial statements.

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

					Number of share options					
	Date of grant	Vesting period	Exercisable period	Exercisable price per share *HK$*	Outstanding at April 1, 2009	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	Outstanding at March 31, 2010
Category 1: Directors										
Benson Tung Wah Wing	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	–	1,500,000
Alan Lam Yiu On	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	–	1,500,000
Raymond Tung Wai Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	–	1,000,000
Martin Tung Hau Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	–	–	–	–	1,000,000	1,000,000
Billy Tung Chung Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	–	–	–	–	1,000,000	1,000,000
Total for directors					4,000,0000	–	–	–	2,000,000	6,000,000
Category 2: Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	9,600,000	–	–	(500,000)	(2,000,000)	7,100,000
	June 8, 2007	3 years	June 8, 2010 – June 7, 2015	2.08	200,000	–	–	(200,000)	–	–
Total for employees					9,800,000	–	–	(700,000)	(2,000,000)	7,100,000
Total for all categories					13,800,000	–	–	(700,000)	–	13,100,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Options" above and in note 31 "Share-based payment transactions" to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

At March 31, 2010, shareholders who had interests and short positions in the shares and underlying shares of the Company, other than those mentioned in directors' interest and chief executives' interests, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investments Limited *(note a)*	Beneficial owner	125,049,390	35.55%
FMR LLC *(note b)*	Investment manager	17,700,000	5.03%

Notes:

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

(b) FMR LLC was deemed to be interested as investment manager in 17,700,000 shares through its controlled corporations, Fidelity Management & Research Company, which was interested in 15,000,000 shares, and Fidelity Management Trust Company, Pyramis Global Advisors Trust Company and Pyramis Global Advisors LLC, which were interested in 2,700,000 shares in total.

Other than as disclosed above, as at March 31, 2010, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company, other than those mentioned in directors' and chief executives' interests, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 39 to the consolidated financial statements.

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

The auditor has reported the factual findings on these procedures to the Board of Directors.

The independent non-executive directors of the Company have reviewed the transactions and the findings, and confirmed that the transactions are:

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

b. on normal commercial terms; and

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

The company complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules on the Stock Exchange throughout the review year.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 17 to 23 of the Annual Report.

SECURITIES TRANSACTIONS BY DIRECTORS

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

EMOLUMENT POLICY

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended March 31, 2010.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$73,000.

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
Benson Tung Wah Wing
Chairman

Hong Kong, June 30, 2010

Deloitte.
德勤

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

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 101, which comprise the consolidated and Company statements of financial position as at March 31, 2010, and the consolidated income statement, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, June 30, 2010

Consolidated Income Statement

For the year ended March 31, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	6	**1,576,936**	2,012,529
Cost of sales		**(1,238,780)**	(1,561,690)
Gross profit		**338,156**	450,839
Other income	7	**2,126**	3,943
Increase (decrease) in fair value of investment properties		**10,160**	(5,493)
Selling and distribution costs		**(94,783)**	(105,602)
Administrative expenses		**(230,865)**	(273,483)
Finance costs	8	**(1,860)**	(2,669)
Share of losses of associates		**(73)**	(1,792)
Profit before tax	9	**22,861**	65,743
Income tax expense	12	**(7,812)**	(16,785)
Profit for the year		**15,049**	48,958
Profit (loss) for the year attributable to:			
Owners of the Company		**21,959**	42,232
Minority interests		**(6,910)**	6,726
		15,049	48,958
Earnings per share	14		
– Basic and diluted (HK cents)		**6.2**	12.0

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit for the year	**15,049**	48,958
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations	**(5,344)**	5,605
Share of translation reserves of associates	**3**	33
Effect of change in tax rate on asset revaluation reserve	**–**	73
Other comprehensive (expense) income for the year (net of tax)	**(5,341)**	5,711
Total comprehensive income for the year	**9,708**	54,669
Total comprehensive income attributable to:		
Owners of the Company	**16,762**	47,995
Minority interests	**(7,054)**	6,674
	9,708	54,669

Consolidated Statement of Financial Position

At March 31, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties	15	**50,908**	62,998
Property, plant and equipment	16	**99,297**	115,136
Prepaid lease payments	17	**22,903**	23,576
Intangible assets	18	**179**	252
Interests in associates	20	**1,395**	1,465
Deferred tax assets	21	**1,184**	430
		175,866	203,857
Current assets			
Inventories	22	**154,036**	145,248
Trade and other receivables	23	**245,858**	254,616
Prepaid lease payments	17	**673**	673
Amount due from an associate	39	**1,298**	8,708
Tax recoverable		**2,226**	7,726
Bank balances and cash	24	**278,057**	269,585
		682,148	686,556
Asset classified as held for sale	25	**–**	1,906
		682,148	688,462
Current liabilities			
Trade and other payables	26	**230,213**	234,093
Amount due to a minority shareholder of a subsidiary	39	**4,300**	5,000
Tax liabilities		**30,823**	37,188
Obligations under finance leases – due within one year	27	**236**	275
Derivative financial instruments	28	**–**	338
Bank borrowings	29	**29,572**	17,188
		295,144	294,082
Net current assets		**387,004**	394,380
Total assets less current liabilities		**562,870**	598,237

Consolidated Statement of Financial Position

At March 31, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year	*27*	**160**	165
Deferred tax liabilities	*21*	**9,270**	11,564
		9,430	11,729
		553,440	586,508
Capital and reserves			
Share capital	*30*	**70,346**	70,346
Reserves		**435,539**	458,253
Equity attributable to owners of the Company		**505,885**	528,599
Minority interests		**47,555**	57,909
		553,440	586,508

The consolidated financial statements on pages 34 to 101 were approved and authorised for issue by the Board of Directors on June 30, 2010 and are signed on its behalf by:

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

Statement of Financial Position

At March 31, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	**882**	1,860
Investments in subsidiaries	19	**119,905**	115,297
Investment in an associate	20	**1,686**	1,686
Deferred tax asset	21	**148**	68
		122,621	118,911
Current assets			
Other receivables		**2,523**	1,593
Amounts due from subsidiaries	39	**356,547**	292,198
Tax recoverable		**552**	–
Bank balances and cash	24	**22,541**	3,619
		382,163	297,410
Current liabilities			
Other payables and accruals		**5,238**	5,951
Amounts due to subsidiaries	39	**35,757**	43,647
Tax liability		**–**	401
		40,995	49,999
Net current assets		**341,168**	247,411
		463,789	366,322
Capital and reserves			
Share capital	30	**70,346**	70,346
Reserves	32	**393,443**	295,976
		463,789	366,322

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

Consolidated Statement of Changes in Equity

For the year ended March 31, 2010

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital redemption reserve**	**Translation reserve**	**Share option reserve**	**Asset revaluation reserve**	**Retained profits**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2008	70,428	84,880	3,848	(1,965)	377	6,055	367,425	531,048	62,378	593,426
Profit for the year	–	–	–	–	–	–	42,232	42,232	6,726	48,958
Exchange differences arising on translation of foreign operations	–	–	–	5,667	–	–	–	5,667	(62)	5,605
Share of reserves of associates	–	–	–	23	–	–	–	23	10	33
Effect of change in tax rate	–	–	–	–	–	73	–	73	–	73
Total comprehensive income for the year	–	–	–	5,690	–	73	42,232	47,995	6,674	54,669
Equity-settled share based payments	–	–	–	–	211	–	–	211	–	211
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	(50,162)	(50,162)	–	(50,162)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(11,143)	(11,143)
Shares repurchased and cancelled	(82)	–	82	–	–	–	(493)	(493)	–	(493)
At March 31, 2009	70,346	84,880	3,930	3,725	588	6,128	359,002	528,599	57,909	586,508
Profit for the year	–	–	–	–	–	–	21,959	21,959	(6,910)	15,049
Exchange differences arising on translation of foreign operations	–	–	–	(5,199)	–	–	–	(5,199)	(145)	(5,344)
Share of reserves of associates	–	–	–	2	–	–	–	2	1	3
Total comprehensive income for the year	–	–	–	(5,197)	–	–	21,959	16,762	(7,054)	9,708
Equity-settled share based payments	–	–	–	–	94	–	–	94	–	94
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	(39,570)	(39,570)	–	(39,570)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(3,300)	(3,300)
At March 31, 2010	**70,346**	**84,880**	**3,930**	**(1,472)**	**682**	**6,128**	**341,391**	**505,885**	**47,555**	**553,440**

Consolidated Statement of Cash Flows

For the year ended March 31, 2010

	2010	2009
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	**22,861**	65,743
Adjustments for:		
Depreciation of property, plant and equipment	**24,082**	27,418
(Increase) decrease in fair value of investment properties	**(10,160)**	5,493
Finance costs	**1,860**	2,669
Share of losses of associates	**73**	1,792
Impairment loss on asset classified as held for sale	**–**	892
Amortisation of prepaid lease payments	**673**	673
Loss on disposal of property, plant and equipment	**2,226**	394
Loss on fair value changes of derivative financial instruments	**–**	338
Share-based payment expense	**94**	211
Amortisation of intangible assets	**73**	73
Bank interest income	**(372)**	(1,520)
Operating cash flows before movements in working capital	**41,410**	104,176
(Increase) decrease in inventories	**(15,773)**	45,450
Decrease in trade and other receivables	**8,758**	125,172
Decrease (increase) in amount due from an associate	**7,410**	(4,064)
Decrease in trade and other payables	**(3,880)**	(134,165)
(Decrease) increase in derivative financial instruments	**(338)**	3,167
Cash generated from operations	**37,587**	139,736
Hong Kong Profits Tax paid	**(17,962)**	(10,085)
Taxation in other jurisdictions paid	**(806)**	(16,911)
Hong Kong Profits Tax refunded	**1,579**	83
Taxation in other jurisdictions refunded	**5,464**	–
NET CASH FROM OPERATING ACTIVITIES	**25,862**	112,823

Consolidated Statement of Cash Flows

For the year ended March 31, 2010

	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES		
Proceeds on disposal of investment properties	**22,250**	–
Proceeds on disposal of asset held for sale	**1,906**	–
Proceeds on disposal of property, plant and equipment	**375**	902
Interest received	**372**	1,520
Purchase of property, plant and equipment	**(8,947)**	(14,845)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**15,956**	(12,423)
FINANCING ACTIVITIES		
Dividends paid	**(39,570)**	(50,162)
Repayment of bank borrowings	**(17,061)**	(40,546)
Dividends paid to minority shareholders of subsidiaries	**(3,300)**	(11,143)
Interest paid	**(1,860)**	(2,669)
(Repayment to) advance from a minority shareholder of a subsidiary	**(700)**	1,000
Repayment of obligations under finance leases	**(346)**	(421)
Bank borrowings raised	**29,572**	13,265
Share repurchase	**–**	(493)
NET CASH USED IN FINANCING ACTIVITIES	**(33,265)**	(91,169)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,553**	9,231
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**269,404**	259,523
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**100**	650
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**278,057**	269,404
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	**278,057**	269,585
Bank overdrafts	**–**	(181)
	278,057	269,404

1. GENERAL

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

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

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 19 and 20, respectively.

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

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

The amendments to HKFRS 7 expand and amend the disclosures required in relation to liquidity risk.

The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments (see note 6), nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The adoption of the other new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after July 1, 2009.
2 Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
3 Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.
4 Effective for annual periods beginning on or after January 1, 2010.
5 Effective for annual periods beginning on or after February 1, 2010.
6 Effective for annual periods beginning on or after July 1, 2010.
7 Effective for annual periods beginning on or after January 1, 2011.
8 Effective for annual periods beginning on or after January 1, 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after April 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments required the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rental or for capital appreciation.

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

Transfer from property, plant and equipment to investment properties will be made when there is a change of use, evidenced by end of owner occupation. Any difference between the carrying amount and fair value of that property at the date of transfer is recognised in asset revaluation reserve. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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 asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Freehold land is stated at cost less accumulated impairment losses.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss.

Investments in associates

An associate is an entity, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

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.

Financial assets

The Group's financial assets are mainly loans and receivables.

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 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.

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 other receivables, amounts due from subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy of impairment of loans and receivables below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are 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.

Objective evidence of impairment could include:

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

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.

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 losses 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss ("FVTPL") comprise of financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- 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.

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 excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a minority shareholder of a subsidiary, amounts due to subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Repurchase of equity instruments

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. The amount equal to the share capital is transferred to the capital redemption reserve. No gain or loss is recognised in profit or loss on the repurchase or cancellation of the Company's own equity instruments.

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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

Impairment losses on tangible and intangible assets

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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from sales of goods are recognised when goods are delivered and title has passed.

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.

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

Retirement benefit costs

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

Equity-settled share-based payment transactions

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

At 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, with a corresponding adjustment to share option reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 for which the commencement date for capitalisation is on or after January 1, 2009, 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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the 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 for 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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. 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. 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 exchange 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. HKD) 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 (the translation reserve).

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 29, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associates 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 debt.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	**466,462**	449,505	**380,990**	297,040
Financial liabilities				
At FVTPL – Held for trading	**–**	338	**–**	–
Amortised cost	**191,566**	172,437	**36,926**	44,525
	191,566	172,775	**36,926**	44,525

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables, bank balances and cash, trade and other payables, amount due to a minority shareholder of a subsidiary and bank borrowings. The major financial instruments of the Company include other receivables, amounts due from subsidiaries, bank balance and cash, other payables and amounts due to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (represented by 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 entities in the Group have foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk.

The Company has foreign currency amounts due from (to) subsidiaries, which expose the Company to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group will enter into foreign currency forward contracts to mitigate the risks as deemed appropriate.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities of the Group and the Company at the reporting date that are considered significant by management are as follows:

	THE GROUP				THE COMPANY			
	Liabilities		Assets		Liabilities		Assets	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**63,265**	67,905	**54,236**	30,576	**36,926**	44,525	**371,964**	295,775
Renminbi ("RMB")	**54,041**	42,603	**64,332**	59,580	**–**	–	**–**	–

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

As at March 31, 2009, the derivative financial instruments of the Group represent foreign currency forward contracts with aggregate notional amounts of HK$10,000,000. Details of which are set out in note 28 to the consolidated financial statements. Upon the maturity of the foreign currency forward contracts, the Group bought RMB amounting to RMB8,526,000 in total. No foreign currency forward contact is outstanding as at March 31, 2010.

Sensitivity analysis

As HKD is pegged with USD, currency risk in relation to HKD denominated monetary assets/liabilities is expected to be minimal.

The following table details the sensitivity of the Group to a 5% increase and decrease in USD against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. On this basis, there will be a decrease in post-tax profit for the year where USD strengthens against RMB by 5%, and vice versa.

	THE GROUP	
	RMB Impact	
	2010	2009
	HK$'000	*HK$'000*
Decrease in post-tax profit for the year	**386**	637

As at March 31, 2009, for the outstanding foreign currency forward contracts, if the market bid forward foreign exchange rate of RMB against USD or HKD had been 5% higher/lower, post-tax profit for the year would increase/decrease by HK$400,000.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily in relation to the floating-rate bank balances, amount due to a minority shareholder of a subsidiary and bank borrowings. The Company is exposed to cash flow interest rate risk primarily in relation to the floating-rate bank balances and amount due from subsidiaries. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

No sensitivity analysis is prepared for the Group's and the Company's exposure to interest rate risk as the impact is not significant.

Credit risk

As at March 31, 2010, the maximum exposure to credit risk by the Group and the Company which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amounts of the recognised financial assets as stated in the statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 36.

In order to minimise the 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. The Group only extends credit to customer based on careful valuation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of 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.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's concentration of credit risk on trade receivables by geographical locations is mainly in the United States of America (the "USA") which accounted for 80% (2009: 84%) of the total trade receivables balance at March 31, 2010. The Group also has concentration of credit risk on its five largest customers which represent 45% (2009: 40%) of the total trade receivables balance and of which the largest customer represents 17% (2009: 13%) of the total trade receivables balance. For both years, the five largest customers, which are engaged in garment trading and are located in the USA, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

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

The credit risk of the Company on amounts due from subsidiaries is limited because the directors of the Company consider that the recoverable amount exceeds the carrying amount of amounts due from subsidiaries. The recoverable amount of the amounts due from subsidiaries is determined based on the present value of the future cash flows expected to be derived from the subsidiaries. The Company has concentration of credit risk on its five subsidiaries which represent 80% (2009: 85%) of the total amounts due from subsidiaries balance.

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 the relevant loan covenant.

Other than equity, the Group relies on bank borrowings as a significant source of liquidity. As at March 31, 2010, the Group has available unutilised banking facilities of approximately HK$710,442,000 (2009: HK$642,841,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principle cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

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 gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

THE GROUP

2010

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at March 31, 2010
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	113,463	43,400	831	–	157,694	157,694
Amount due to a minority shareholder of a subsidiary	1.73	–	–	4,329	–	4,329	4,300
Obligations under finance leases	9.97	30	55	188	197	470	396
Bank borrowings							
– floating-rate	5.14	27,371	2,296	–	–	29,667	29,572
		140,864	45,751	5,348	197	192,160	191,962

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE GROUP *(Continued)*

2009

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at March 31, 2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	112,802	34,670	2,777	–	150,249	150,249
Amount due to a minority shareholder of a subsidiary	2.55	–	–	5,039	–	5,039	5,000
Obligations under finance leases	8.90	35	67	198	185	485	440
Bank borrowings – floating-rate	7.23	17,269	–	–	–	17,269	17,188
		130,106	34,737	8,014	185	173,042	172,877
Derivative financial instruments – gross settlement							
Foreign currency forward contracts							
– inflow	–	(4,841)	(4,821)	–	–	–	(9,662)
– outflow	–	5,000	5,000	–	–	–	10,000
		159	179	–	–	–	338

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE COMPANY

2010

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at March 31, 2010
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Other payables	–	1,169	–	–	–	1,169	1,169
Amounts due to subsidiaries	–	35,757	–	–	–	35,757	35,757
Financial guarantee contracts *(note)*	–	284,584	–	–	–	284,584	–
		321,510	–	–	–	321,510	36,926

2009

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at March 31, 2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Other payables	–	878	–	–	–	878	878
Amounts due to subsidiaries	–	43,647	–	–	–	43,647	43,647
Financial guarantee contracts *(note)*	–	234,796	–	–	–	234,796	–
		279,321	–	–	–	279,321	44,525

Note: The amount excludes unlimited guarantees issued by the Company to banks to secure banking facilities granted to certain subsidiaries. These unlimited guarantees are not utilised at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities of the Group is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

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

- the fair values of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

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

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from April 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers, the Company's executive directors, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. No business segment was presented as the Group is principally engaged in the manufacture and sale of women garments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

No segment assets and liabilities are disclosed as they are not reported to the chief operating decision makers.

The information reported to the chief operating decision makers for the purposes of resource allocation and assessment of performance is focused on the geographical areas of sales made by the Group's operating divisions. The Group is currently organised into operating divisions which constitute four operating segments – USA, Canada, Asia and Europe and others.

Information regarding the above segments is reported below.

Segment revenue and results

For the year ended March 31, 2010:

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	1,255,947	34,040	154,133	132,816	1,576,936
SEGMENT PROFITS	58,350	1,587	5,955	15,706	81,598
Unallocated income					2,126
Unallocated expenses					(69,090)
Increase in fair value of investment properties					10,160
Finance costs					(1,860)
Share of losses of associates					(73)
Profit before tax					22,861

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended March 31, 2009:

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	1,686,468	35,420	159,765	130,876	2,012,529
SEGMENT PROFITS	124,426	2,824	6,104	15,178	148,532
Unallocated income					3,943
Unallocated expenses					(76,778)
Decrease in fair value of investment properties					(5,493)
Finance costs					(2,669)
Share of losses of associates					(1,792)
Profit before tax					65,743

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, increase (decrease) in fair value of investment properties, share of losses of associates, other income and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue is mainly derived from customers located in Hong Kong (country of domicile), the USA, Canada, European countries and other Asian countries. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**19,988**	25,389
The USA	**1,255,947**	1,686,468
Canada	**34,040**	35,420
European countries	**112,281**	111,723
Other Asian countries	**134,145**	134,376
Others	**20,535**	19,153
	1,576,936	2,012,529

The Group's business activities are conducted predominantly in Hong Kong, the People's Republic of China (the "PRC") and the USA. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**56,352**	72,407
The PRC	**100,459**	110,038
The USA	**2,285**	3,809
Others	**14,191**	15,708
	173,287	201,962

Note: Non-current assets excluded interests in associates and deferred tax assets.

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

For the year ended March 31, 2010, there are two external customers (2009: one) who contributed over 10% of the total sales of the Group. Their contributions are approximately HK$338,040,000 and HK$183,189,000 (2009: HK$389,556,000 and HK$189,124,000), respectively. The latter contributed less than 10% of the total sales of the Group for the year ended March 31, 2009.

7. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**372**	1,520
Rental income from properties under operating leases, net of outgoings of HK$143,000 (2009: HK$156,000)	**1,754**	2,423
	2,126	3,943

8. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank borrowings	**1,813**	2,605
Finance leases	**47**	64
	1,860	2,669

9. PROFIT BEFORE TAX

	2010	2009
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	**304,874**	352,399
Contributions to retirement benefit schemes	**8,730**	9,889
Share-based payment expense	**94**	211
Total employee benefits expenses	**313,698**	362,499
Amortisation of intangible assets (included in cost of sales)	**73**	73
Amortisation of prepaid lease payments	**673**	673
Auditor's remuneration	**2,101**	2,082
Cost of inventories recognised as an expense	**1,238,780**	1,561,690
Depreciation of property, plant and equipment	**24,082**	27,418
Impairment loss on asset classified as held for sale	**–**	892
Loss on disposal of property, plant and equipment	**2,226**	394
Loss on fair value change of derivative financial instruments	**–**	338

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2009: nine) directors of the Company were as follows:

2010

	Benson Tung Wah Wing	Alan Lam Yiu On	Raymond Tung Wai Man	Martin Tung Hau Man	Billy Tung Chung Man	Tung Siu Wing	Kevin Lee Kwok Bun	Johnny Chang Tak Cheung	Tony Chang Chung Kay	Joseph Wong King Lam	Robert Yau Ming Kim	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	60	60	60	100	100	80	460
Other emoluments:												
Salaries and other benefits	4,030	2,600	1,573	24	23	–	–	–	–	–	–	8,250
Contributions to retirement benefit schemes	12	12	12	–	–	–	–	–	–	–	–	36
Performance related incentive payments *(note)*	–	222	1,065	–	–	–	–	–	–	–	–	1,287
Share-based payment expense	11	11	7	–	–	–	–	–	–	–	–	29
Total emoluments	4,053	2,845	2,657	24	23	60	60	60	100	100	80	10,062

2009

	Benson Tung Wah Wing	Alan Lam Yiu On	Raymond Tung Wai Man	Tung Siu Wing	Kevin Lee Kwok Bun	Johnny Chang Tak Cheung	Tony Chang Chung Kay	Joseph Wong King Lam	Robert Yau Ming Kim	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	60	60	60	100	100	80	460
Other emoluments:										
Salaries and other benefits	4,420	2,600	1,573	–	858	–	–	–	–	9,451
Contributions to retirement benefit schemes	12	12	12	–	–	–	–	–	–	36
Performance related incentive payments *(note)*	–	427	962	–	–	–	–	–	–	1,389
Share-based payment expense	26	26	17	–	–	–	–	–	–	69
Total emoluments	4,458	3,065	2,564	60	918	60	100	100	80	11,405

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

No directors waived any emoluments in the years ended March 31, 2010 and 2009.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: three) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**7,737**	8,778
Contributions to retirement benefit schemes	**72**	160
Performance related incentive payments *(note)*	**773**	2,096
Share-based payment expense	**6**	14
	8,588	11,048

Their emoluments were within the following bands:

	Number of employees	
	2010	2009
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
HK$6,500,001 to HK$7,000,000	**–**	1

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

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

12. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**8,714**	17,669
The PRC	**–**	154
Other jurisdictions	**1,223**	3,133
	9,937	20,956
Under(over)provision in prior years	**923**	(1,609)
	10,860	19,347
Deferred taxation *(note 21)*:		
Current year	**(3,048)**	(1,848)
Attributable to a change in tax rate	**–**	(714)
	7,812	16,785

On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries of the Company increased progressively from 15% to 25% before January 1, 2013. The tax rate of the other PRC subsidiaries was 25% for both years.

According to the EIT Law, the profits of the PRC subsidiaries of the Company and associates of the Group derived since January 1, 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. The Group determined that no deferred tax on withholding tax liabilities shall be recognised since no significant distributable profit was derived by the PRC subsidiaries and associates from January 1, 2008.

12. INCOME TAX EXPENSE *(Continued)*

Two subsidiaries of the Company, which have been incorporated in Hong Kong, received protective/additional profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK$6.4 million and HK$28.2 million, respectively, relating to the years of assessment 1998/99 to 2008/09, that is, for the financial years ended March 31, 1999 to 2009. The protective/additional profits tax assessment relates mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$5.8 million and HK$27.0 million being purchased by the subsidiaries, respectively. Those tax reserve certificates were purchased by the relevant subsidiaries and included in other receivables, and the remaining amount of HK$1.8 million represents the overpayment of provisional tax to the IRD. As at March 31, 2010, in respect of the protective/additional profits tax assessment for the years of assessment 1998/99 to 2008/09, a provision of HK$34.6 million (2009: provision of HK$31.7 million for the years of assessment 1998/99 to 2007/08) has been provided.

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

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

	2010	2009
	HK$'000	*HK$'000*
Profit before tax	**22,861**	65,743
Tax at the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**3,772**	10,848
Tax effect of expenses not deductible for tax purpose	**1,485**	2,184
Tax effect of income not taxable for tax purpose	**(4,470)**	(2,911)
Tax effect of share of results of associates	**12**	296
Under(over)provision in prior years	**923**	(1,609)
Tax effect of tax losses not recognised	**6,512**	6,650
Utilisation of tax losses previously not recognised	**(905)**	(43)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**483**	2,084
Change in opening deferred taxation resulting from a decrease in applicable tax rate	**–**	(714)
Income tax expense	**7,812**	16,785

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

13. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2010 interim of HK3.5 cents (2009: 2009 interim of HK4.25 cents) per share	**12,311**	14,948
2009 final of HK7.75 cents (2009: 2008 final of HK10 cents) per share	**27,259**	35,214
	39,570	50,162

A final dividend of HK2.5 cents (2009: final dividend of HK7.75 cents) per share and a special dividend of HK5.0 cents (2009: Nil) per share in respect of the year ended March 31, 2010, amounting to HK$26.4 million (2009: HK$27.3 million) in aggregate, has been proposed by the Board of Directors (the "Board") and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**21,959**	42,232

	2010	2009
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**351,731,298**	351,964,295

The computation of diluted earnings per share for the year ended March 31, 2010 does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

15. INVESTMENT PROPERTIES

	THE GROUP *HK$'000*
FAIR VALUE	
At April 1, 2008	68,491
Decrease in fair value recognised in profit or loss	(5,493)
At March 31, 2009	62,998
Disposals	(22,250)
Increase in fair value recognised in profit or loss	10,160
At March 31, 2010	**50,908**

The fair values of the Group's investment properties at March 31, 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property or where appropriate by direct comparison approach assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

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

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

	2010 ***HK$'000***	2009 *HK$'000*
Properties in Hong Kong held under medium-term leases	**47,008**	59,708
Properties in the PRC held under medium-term land use rights	**3,900**	3,290
	50,908	62,998

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements, plant and machinery, furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At April 1, 2008	4,454	106,071	299,694	7,110	417,329
Exchange adjustments	(523)	(1,364)	(2,956)	(38)	(4,881)
Additions	–	–	14,605	576	15,181
Transfer to asset classified as held for sale	–	(2,402)	(3,315)	–	(5,717)
Disposals	–	–	(11,078)	(1,419)	(12,497)
At March 31, 2009	3,931	102,305	296,950	6,229	409,415
Exchange adjustments	415	1,451	2,365	37	4,268
Additions	–	3	8,894	352	9,249
Disposals	–	(1,793)	(23,645)	–	(25,438)
At March 31, 2010	**4,346**	**101,966**	**284,564**	**6,618**	**397,494**
DEPRECIATION					
At April 1, 2008	–	43,918	236,500	4,671	285,089
Exchange adjustments	–	(844)	(2,724)	(25)	(3,593)
Provided for the year	–	3,961	22,677	780	27,418
Eliminated on transfer to asset classified as held for sale	–	(172)	(3,262)	–	(3,434)
Eliminated on disposals	–	–	(9,906)	(1,295)	(11,201)
At March 31, 2009	–	46,863	243,285	4,131	294,279
Exchange adjustments	–	531	2,123	19	2,673
Provided for the year	–	3,988	19,381	713	24,082
Eliminated on disposals	–	(691)	(22,146)	–	(22,837)
At March 31, 2010	**–**	**50,691**	**242,643**	**4,863**	**298,197**
CARRYING VALUES					
At March 31, 2010	**4,346**	**51,275**	**41,921**	**1,755**	**99,297**
At March 31, 2009	3,931	55,442	53,665	2,098	115,136

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying value of the Group's land and buildings as at the end of the reporting period comprises:

	2010	2009
	HK$'000	*HK$'000*
Building in Hong Kong held under medium-term leases	**2,223**	3,965
Buildings in the PRC held under medium-term land use rights	**40,308**	42,546
Freehold land and buildings in Thailand	**13,090**	12,862
	55,621	59,373

The carrying value of the Group's furniture and fixtures and motor vehicles includes amounts of HK$139,000 and HK$398,000 (2009: HK$296,000 and HK$190,000) in respect of assets held under finance leases, respectively. The Group has pledged buildings having a carrying value of HK$2,744,000 (2009: HK$2,951,000) to secure general banking facilities granted to the Group.

	Leasehold improvements, plant and machinery, furniture and fixtures	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At April 1, 2008	10,698	456	11,154
Additions	174	–	174
At March 31, 2009	10,872	456	11,328
Additions	30	–	30
At March 31, 2010	**10,902**	**456**	**11,358**
DEPRECIATION			
At April 1, 2008	8,334	121	8,455
Provided for the year	922	91	1,013
At March 31, 2009	9,256	212	9,468
Provided for the year	916	92	1,008
At March 31, 2010	**10,172**	**304**	**10,476**
CARRYING VALUES			
At March 31, 2010	**730**	**152**	**882**
At March 31, 2009	1,616	244	1,860

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

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

17. PREPAID LEASE PAYMENTS

	2010	2009
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise leasehold land:		
– in Hong Kong held under medium-term leases	**11,128**	11,417
– in the PRC held under medium-term land use rights	**12,448**	12,832
	23,576	24,249
Analysed for reporting purposes as:		
Non-current assets	**22,903**	23,576
Current assets	**673**	673
	23,576	24,249

18. INTANGIBLE ASSETS

	Trademark
	HK$'000
THE GROUP	
COST	
At April 1, 2008, March 31, 2009 and **March 31, 2010**	774
AMORTISATION	
At April 1, 2008	449
Provided for the year	73
At March 31, 2009	522
Provided for the year	73
At March 31, 2010	**595**
CARRYING VALUES	
At March 31, 2010	**179**
At March 31, 2009	252

The trademark was acquired from a third party.

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

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**119,905**	115,297

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at March 31, 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital	Class of shares held	Proportion ownership interest held by the Company		Principal activities
				Directly	Indirectly	
		(HK$ unless otherwise indicated)		%	%	
Do Do Fashion Limited	Hong Kong (a)	720,000	Ordinary	100	–	Garment manufacture
Dorcash Industrial Limited	Hong Kong (a)	20	Ordinary	100	–	Property holding
Golden Fountain Industrial Company Limited	Hong Kong (a)	500,000	Ordinary	100	–	Property holding
Golden Will Fashions Limited	Hong Kong (a)	10,000	Ordinary	–	60	Garment trading
Sing Yang (Overseas) Limited	Hong Kong (a)	100,000	Ordinary	100	–	Garment manufacture
Sing Yang Trading Limited	Hong Kong (a)	100,000	Ordinary	100	–	Garment trading
THL Inc.	USA (a)	US$10,000	Ordinary	–	100	Garment trading
Tung Thai Fashions Limited	Thailand (a)	Baht 100,000,000	Ordinary	100	–	Garment manufacture
Tungtex Trading Company Limited	Hong Kong (a)	6,000,000	Ordinary	100	–	Garment manufacture
Tungtex (U.K.) Limited	United Kingdom (a)	£10,000	Ordinary	100	–	Liaison office in garments
Tungtex (U.S.A.) Inc.	USA (a)	US$838,802	Ordinary	100	–	Investment holding
West Pacific Enterprises Corporation	USA (a)	US$90,000	Ordinary	–	100	Garment design and trading
Yellow River, Inc.	USA (a)	US$80,000	Ordinary	–	51	Garment design and trading
中山同得仕絲綢服裝有限公司	PRC (b)	37,800,000	Registered capital	–	90	Garment manufacture
華裳服裝（深圳）有限公司	PRC (c)	8,000,000	Registered capital	–	100	Garment manufacture
深圳百多爾時裝有限公司	PRC (c)	RMB12,000,000	Registered capital	–	100	Garment manufacture
同得仕（杭州）時裝有限公司	PRC (c)	US$5,700,000 (2009: US$5,000,000)	Registered capital	100	–	Garment manufacture
杭州金譽時裝有限公司	PRC (c)	US$1,000,000	Registered capital	–	60	Garment manufacture

Notes:

(a) These companies are private limited companies.

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

(c) These companies are wholly foreign owned enterprises.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

During the year ended March 31, 2010, Confield Hong Kong Limited and Golden Fountain Fashions Limited were deregistered. During the year ended March 31, 2009, Brightmax International Limited was deregistered. The subsidiaries deregistered in both years had been inactive.

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

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

20. INTERESTS IN ASSOCIATES

	2010 ***HK$'000***	2009 *HK$'000*
THE GROUP		
Cost of investment in associates – unlisted	**8,683**	8,683
Share of post-acquisition losses and other comprehensive income	**(7,288)**	(7,218)
	1,395	1,465
THE COMPANY		
Capital contribution, at cost	**1,686**	1,686

As at March 31, 2010 and 2009, the Group had interests in the following associates, which are registered and operate in the PRC as sino-foreign equity enterprises:

Name of entity	**Class of capital held**	**Proportion of registered capital held by the Company**				**Principal activity**
		Directly		**Indirectly**		
		2010 **%**	2009 %	**2010** **%**	2009 %	
番禺市金源時裝有限公司	Registered capital	**–**	–	**30**	30	Garment manufacture
嵊州同泰絲服飾有限公司	Registered capital	**30**	30	**–**	–	Garment manufacture

20. INTERESTS IN ASSOCIATES *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Total assets	**49,976**	50,277
Total liabilities	**(45,326)**	(45,394)
Net assets	**4,650**	4,883
The Group's share of net assets of associates	**1,395**	1,465
Revenue	**55,753**	40,608
Loss for the year	**(244)**	(5,973)
Other comprehensive income	**10**	110
The Group's share of losses and other comprehensive income of associates for the year	**(70)**	(1,759)

21. DEFERRED TAXATION

THE GROUP

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

	Revaluation of properties	Accelerated tax depreciation	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2008	(7,570)	(5,850)	–	(349)	(13,769)
Credit to profit or loss	918	216	318	396	1,848
Effect of change in tax rate credited to other comprehensive income	73	–	–	–	73
Effect of change in tax rate credited to profit or loss	360	334	–	20	714
At March 31, 2009	(6,219)	(5,300)	318	67	(11,134)
Credit to profit or loss	224	2,248	632	(56)	3,048
At March 31, 2010	**(5,995)**	**(3,052)**	**950**	**11**	**(8,086)**

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

	2010	2009
	HK$'000	*HK$'000*
Deferred tax assets	**1,184**	430
Deferred tax liabilities	**(9,270)**	(11,564)
	(8,086)	(11,134)

21. DEFERRED TAXATION *(Continued)*

THE GROUP *(Continued)*

At March 31, 2010, the Group has unused tax losses of approximately HK$252 million (2009: HK$215 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$6 million (2009: HK$2 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$246 million (2009: HK$213 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$159 million (2009: HK$152 million) that can be carried forward for five years and losses of approximately HK$61 million (2009: HK$48 million) that can be carried forward for twenty years. Unrecognised tax losses of HK$1 million (2009: nil) expire during the year. Other unrecognised tax losses may be carried forward indefinitely.

THE COMPANY

	Accelerated tax depreciation *HK$'000*
At April 1, 2008	16
Credit to profit or loss	53
Effect of change in tax rate charged to profit or loss	(1)
At March 31, 2009	68
Credit to profit or loss	80
At March 31, 2010	**148**

22. INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**48,245**	36,503
Work in progress	**57,649**	57,513
Finished goods	**48,142**	51,232
	154,036	145,248

23. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**176,379**	169,286
Deposits, prepayments and other receivables	**69,479**	85,330
	245,858	254,616

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers, with a significant portion of 30 days. Included in trade and other receivables are trade receivables, mainly denominated in USD, with the following aged analysis presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Up to 30 days	**108,132**	116,583
31 – 60 days	**50,112**	36,657
61 – 90 days	**17,686**	15,818
More than 90 days	**449**	228
	176,379	169,286

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group will understand the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The trade receivables of HK$155,423,000 (2009: HK$146,426,000) that is neither past due nor impaired have good credit quality with reference to the track records of these customers under internal assessment by the Group.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$20,956,000 (2009: HK$22,860,000) which are past due as at the reporting date for which the Group has not provided for impairment loss, as the Group considered such balance could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired, at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
31 – 60 days	**14,876**	19,062
61 – 90 days	**5,631**	3,570
More than 90 days	**449**	228
	20,956	22,860

The trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	THE GROUP		**THE COMPANY**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**4,165**	2,300	**350**	1,222
RMB	**31,933**	28,028	**–**	–
	36,098	30,328	**350**	1,222

24. BANK BALANCES AND CASH

Bank balances and cash of the Group and of the Company comprises bank balances and cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less. The bank deposits carried market interest rates ranging from 0.001% to 1.77% (2009: 0.003% to 4%) per annum.

The bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**50,071**	28,276	**15,067**	2,355
RMB	**32,399**	31,552	**–**	–
	82,470	59,828	**15,067**	2,355

25. ASSET CLASSIFIED AS HELD FOR SALE

The asset classified as held for sale is as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Prepaid lease payments	**–**	351
Property, plant and equipment	**–**	1,555
	–	1,906

On December 3, 2008, the Group entered into an agreement with an independent third party for the disposal of a piece of land in Malaysia which was held under medium lease, together with a building erected thereon for a consideration, net of negligible selling costs, of HK$1,906,000. At March 31, 2009, the disposal was still subject to the approval of the relevant government bureau.

25. ASSET CLASSIFIED AS HELD FOR SALE *(Continued)*

The aggregate carrying value of the prepaid lease payments and building amounted to HK$2,798,000 and an impairment loss of HK$892,000 on asset classified as held for sale was recognised in the profit or loss and included in administrative expenses.

The disposal was completed during the year ended March 31, 2010.

26. TRADE AND OTHER PAYABLES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade payables	**142,718**	136,892
Other payables and accrued charges	**87,495**	97,201
	230,213	234,093

The aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period are as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Up to 30 days	**80,829**	85,936
31 – 60 days	**40,213**	40,590
61 – 90 days	**16,738**	6,506
More than 90 days	**4,938**	3,860
	142,718	136,892

The average credit period on purchases of goods is ranging from 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

26. TRADE AND OTHER PAYABLES *(Continued)*

The trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**58,965**	62,905	**1,169**	878
RMB	**24,469**	25,596	**–**	–
	83,434	88,501	**1,169**	878

27. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**273**	300	**236**	275
More than one year but not exceeding two years	**159**	149	**130**	135
More than two years but not exceeding three years	**38**	36	**30**	30
	470	485		
Less: Future finance charges	**(74)**	(45)		
Present value of lease obligations	**396**	440	**396**	440
Less: Amount due within one year shown under current liabilities			**(236)**	(275)
Amount due after one year			**160**	165

27. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

The Group leases certain of its furniture and fixtures and motor vehicles under finance leases. The average lease term is three years. For the year ended March 31, 2010, the effective borrowing rate was 9.97% (2009: 8.90%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

28. DERIVATIVE FINANCIAL INSTRUMENTS

As at March 31, 2009, major terms of outstanding foreign currency forward contracts of the Group were as follows:

Notional amount	**Currency conversion**
2 contracts to sell HK$10,000,000 in total	HKD1: RMB0.85

The above contracts matured during the current year and were settled in gross amount.

As at March 31, 2009, a fair value loss of HK$338,000 was recognised in the profit or loss. The above foreign currency forward contracts were measured at fair value at end of the reporting period, determined based on the prices quoted from the counterparty financial institutions with reference to estimated cash flows with appropriate yield curve for equivalent instruments as at March 31, 2009.

29. BANK BORROWINGS

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Floating-rate borrowings:		
Bank overdrafts	**–**	181
Bank loans	**29,572**	17,007
	29,572	17,188

All the bank borrowings of the Group are secured. All the bank borrowings at the end of the reporting period are repayable within one year and are included under current liabilities.

The effective interest rate (which is also equal to contracted interest rate) on the Group's borrowings ranged from 4.86% to 5.35% (2009: 7.23%) per annum.

29. BANK BORROWINGS *(Continued)*

The bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
RMB	**29,572**	17,007

30. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.20 each		
At April 1, 2008, March 31, 2009 and March 31, 2010	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.20 each		
At April 1, 2008	352,137,298	70,428
Shares repurchased *(Note)*	(406,000)	(82)
At March 31, 2009 and 2010	351,731,298	70,346

Note: During the year ended March 31, 2009, the Company repurchased its own ordinary shares through the Stock Exchange in October 2008. 406,000 shares were repurchased at an aggregate consideration of approximately HK$493,000. The highest price and the lowest price paid were HK$1.35 per share and HK$1.08 per share, respectively. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

31. SHARE-BASED PAYMENT TRANSACTIONS

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

At March 31, 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 13,100,000 (2009: 13,800,000), representing 3.72% (2009: 3.92%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 5% of the shares of the Company in issue at any point in time, without prior approval form the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue at any point in time, without prior approval from the Company's shareholders.

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

Options granted must be taken up within twenty-eight days of the date of grant upon payment of HK$1 per grant. The exercise price in respect of any particular option shall be such price as determined by the Board at its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

					Number of share options					
Category	Date of grant	Vesting period	Exercisable period	Exercisable price per share *HK$*	At March 31, 2008	Lapsed during the year	At March 31, 2009	Lapsed during the year	Reclassified during the year	At March 31, 2010
Directors	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	4,000,000	–	4,000,000	–	2,000,000	6,000,000
Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	11,000,000	(1,400,000)	9,600,000	(500,000)	(2,000,000)	7,100,000
	June 8, 2007	3 years	June 8, 2010 – June 7, 2015	2.08	200,000	–	200,000	(200,000)	–	–
	December 19, 2007	3 years	December 19, 2010 – December 18, 2015	2.08	200,000	(200,000)	–	–	–	–
					15,400,000	(1,600,000)	13,800,000	(700,000)	–	13,100,000
Exercisable at end of the year							–			13,100,000
Weighted average exercise price					HK$1.81	HK$1.84	HK$1.80	HK$1.88	N/A	HK$1.80

No options were exercisable at March 31, 2009 and no options are exercised for the year ended March 31, 2010.

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

The Company recognised a total expense of HK$94,000 (2009: HK$211,000) for the year ended March 31, 2010 in relation to share options granted by the Company, of which HK$65,000 (2009: HK$142,000) was related to options granted to the Group's employees, and the remaining balance of HK$29,000 (2009: HK$69,000) was related to options granted to directors which has been included in director's remuneration set out in note 10.

32. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY					
At April 1, 2008	84,880	3,848	377	190,518	279,623
Profit and total comprehensive income for the year	–	–	–	66,715	66,715
Dividends recognised as distribution *(note 13)*	–	–	–	(50,162)	(50,162)
Equity-settled share based payments	–	–	211	–	211
Shares repurchased and cancelled	–	82	–	(493)	(411)
At March 31, 2009	84,880	3,930	588	206,578	295,976
Profit and total comprehensive income for the year	–	–	–	136,943	136,943
Dividends recognised as distribution *(note 13)*	–	–	–	(39,570)	(39,570)
Equity-settled share based payments	–	–	94	–	94
At March 31, 2010	**84,880**	**3,930**	**682**	**303,951**	**393,443**

33. MAJOR NON-CASH TRANSACTIONS

During the year ended March 31, 2010, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease contracts of HK$302,000 (2009: HK$336,000).

34. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$24,376,000 (2009: HK$22,991,000) in respect of rented premises.

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, which fall due as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**17,740**	15,343
In second to fifth year inclusive	**27,566**	26,236
Over five years	**–**	8,455
	45,306	50,034

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and retail shops. Leases are negotiated for a term ranging from one to six years and rentals are fixed.

The Group as lessor

Property rental income (before outgoings) earned during the year was HK$1,897,000 (2009: HK$2,579,000). The properties held have committed tenants for an average term of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,494**	1,379
In second to fifth year inclusive	**1,037**	1,036
	2,531	2,415

35. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital expenditure committed as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**–**	227

36. CONTINGENT LIABILITIES

At March 31, 2010, the Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of approximately HK$285 million (2009: HK$235 million) and has also issued unlimited guarantees to banks to secure banking facilities granted to certain subsidiaries. The extent of the above facilities utilised by the subsidiaries at March 31, 2010 amounted to HK$30 million (2009: HK$17 million). In the opinion of the directors of the Company, the amount of financial guarantee contracts involved is insignificant at initial recognition and end of the reporting periods.

37. PLEDGE OF ASSETS

At the end of the reporting period, the following assets have been pledged to banks to secure general banking facilities granted to the Group:

	2010	2009
	HK$'000	*HK$'000*
Prepaid lease payments	**9,417**	10,042
Investment properties	**33,528**	26,895
Buildings	**2,744**	2,951

38. RETIREMENT BENEFIT SCHEMES

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

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

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

The total cost charged to profit or loss of HK$8,730,000 (2009: HK$9,889,000) represents contributions payable to these schemes by the Group for the year ended March 31, 2010.

39. CONNECTED AND RELATED PARTIES DISCLOSURES

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

(i) Connected transactions

	2010	2009
	HK$'000	*HK$'000*
Fabric print and artwork service expenses paid to Fine Print Studio Inc. ("Fine Print")	**1,367**	1,119

Fine Print is wholly owned by Mr. Peter Kan Mui (deceased during the year), a minority shareholder that has significant influence over a subsidiary of the Company, and his associates (as defined in the Listing Rules).

39. CONNECTED AND RELATED PARTIES DISCLOSURES *(Continued)*

(a) ***(ii)*** ***Related party transactions***

	2010	2009
	HK$'000	*HK$'000*
Purchases from the Group's associate	**41,472**	32,821
Sales of finished goods to the Group's associate	**–**	261

(b) The Group and the Company had the following balances with related parties at the end of the reporting period:

The Group

Amount due from an associate of HK$1,298,000 (2009: HK$8,708,000) for the prepayments to an associate for trading nature which is unsecured, interest-free and repayable on demand. None of the amount due from an associate is past due or impaired and this amount has a good quality attributable under the internal assessment by the Group.

The amount due from an associate is denominated in HKD, foreign currency of a subsidiary of the Company having USD as functional currency.

Amount due to a minority shareholder of a subsidiary of HK$4,300,000 (2009: HK$5,000,000) is unsecured, bearing interest at Hong Kong Interbank Offered Rate plus 1% (2009: 1.5%) per annum, repayable within one year and denominated in HKD, foreign currency of a subsidiary of the Company having USD as functional currency.

39. CONNECTED AND RELATED PARTIES DISCLOSURES *(Continued)*

(b) The Group and the Company had the following balances with related parties at the end of the reporting period: *(Continued)*

The Company

(i) At March 31, 2010, the amounts due from subsidiaries amounted to HK$356,547,000 (2009: HK$292,198,000). The amounts due from subsidiaries are unsecured and repayable on demand. Included in the amount is a balance of HK$78,852,000 (2009: HK$87,403,000) which bears interest at Hong Kong Prime Rate and the remaining balances are interest-free. Before making any advances, the Company will review the potential subsidiary's credit quality and defines its credit limit. Loan receivables are advanced to subsidiaries with appropriate credit history. Credit limit attributed to subsidiaries are reviewed regularly.

At the end of the reporting period, the Company reviews the carrying amounts of the amounts due from subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount due from a subsidiary is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount.

At March 31, 2010 and 2009, all the Company's amounts due from subsidiaries are neither past due nor impaired at the end of the reporting period. The amounts due from subsidiaries have good credit quality with reference to the track records of these subsidiaries under internal assessment by the Company and a significant amount of balances were recovered subsequent to the end of the reporting period. In addition, the Company does not hold any collateral over these balances.

(ii) Amounts due to subsidiaries of HK$35,757,000 (2009: HK$43,647,000) are unsecured, interest-free and repayable on demand.

The amounts due from/to subsidiaries are denominated in HKD, foreign currency of the Company.

39. CONNECTED AND RELATED PARTIES DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel, including amounts paid to the Company's executive directors as disclosed in note 10 and certain highest paid employees as disclosed in note 11, during the year was as follows:

	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**18,047**	20,856
Post-employment benefits *(note)*	**108**	196
Share-based payment expense	**35**	83
	18,190	21,135

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 9 and 38.

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

Financial Summary

RESULTS

	For the year ended March 31,				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	1,974,483	2,276,176	2,252,055	2,012,529	**1,576,936**
Profit before tax	118,246	156,022	133,038	65,743	**22,861**
Profit for the year attributable to owners of the Company	72,393	89,913	81,233	42,232	**21,959**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
Earnings per share					
– Basic	20.6	25.5	23.1	12.0	**6.2**
– Diluted	N/A	25.5	22.9	N/A	**N/A**

ASSETS AND LIABILITIES

	As at March 31,				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	927,353	1,031,845	1,069,366	892,319	**858,014**
Total liabilities	(394,252)	(465,917)	(475,940)	(305,811)	**(304,574)**
	533,101	565,928	593,426	586,508	**553,440**
Equity attributable to owners of the Company	477,059	507,201	531,048	528,599	**505,885**
Minority interests	56,042	58,727	62,378	57,909	**47,555**
	533,101	565,928	593,426	586,508	**553,440**

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