You should read the following discussion and analysis of our financial condition and our results of operations together with our audited combined financial statements as at and for the years ended 31 March 2008, 2009 and 2010 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus (collectively the "Financial Information"). The Accountants' Report has been prepared in accordance with HKFRS. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the section headed "Risk factors" in this prospectus.

OVERVIEW

We are a well-developed sourcing management group with production capabilities which operates a one-stop shop business model. We provide our customers a comprehensive range of services covering the entire supply chain of garment products. We source garment products for our customers and we also provide them with a comprehensive range of sourcing management services and expertise, including product design and product development, sampling, product offering, sourcing, in-house production, outsourcing, logistics and delivery and overseas sales capabilities.

Business trend

The Group recorded a turnover of approximately HK$1,430.9 million, HK$1,284.3 million and HK$894.4 million for the three years ended 31 March 2008, 2009 and 2010, respectively. Based on the unaudited management accounts of the Group for the four months ended 31 July 2010, the Group recorded a turnover of approximately HK$328.1 million which is comparable to the corresponding period of last year. Our financial results for the six months ending 30 September 2010 and the year ending 31 March 2011 will be affected by certain non-recurring expenses, including the expenses in relation to the Global Offering and the costs of the options granted under the Share Option Scheme. For further details, please refer to the paragraph headed "Our revenue for the four months ended 31 July 2010 and the possible impact of certain non-recurring expenses to financial performance" of this section, the section headed "Summary" in this prospectus, and the paragraph headed "Our financial results are expected to be affected by the expenses in relation to the Global Offering and the costs of options granted under the Share Option Scheme" of the section headed "Risk factors" in this prospectus.

With regard to (i) the unaudited management accounts of the Group for the four months ended 31 July 2010; (ii) the signs of recovery of the global economy; and (iii) our orders on hand, which are comparable to the corresponding period of last year, our Directors are optimistic that our Group will be operating in a fairly stable environment for the year ending 31 March 2011.

Products

Based on the manufacturing process, garment products can be broadly classified into three categories, namely Cut-and-Sew knitwear, Knit-to-Shape sweater and woven products. We source all these three categories of garment products for our customers. Currently, we only manufacture Cut-and-Sew knitwear and Knit-to-Shape sweater. With our in-house production plants in the PRC and Indonesia as well as outsourcing production capabilities supported by our wide and established network of sub-contract manufacturers, we are able to provide to our customers a comprehensive range of garment products which include ladies', men's and kids' knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears.

Customers

We source a comprehensive range of garment products for our direct customers mainly located in the U.S., Canada, the U.K., Mexico, Japan and the PRC. Our direct customers are mostly overseas brand owners/carriers, megastores, departments stores and supermarket chains. We also source garment products for our importer customers.

The following table sets forth the breakdown of our revenue by customer category:

	For the year ended 31 March					
	2008		2009		2010	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Brand owners/carriers	461,343	32.2%	468,252	36.5%	461,001	51.5%
Megastores	61,781	4.3%	81,239	6.3%	93,863	10.5%
Department stores	103,899	7.3%	84,247	6.6%	66,101	7.4%
Supermarket chains	19,818	1.4%	54,656	4.2%	18,468	2.1%
Importers	743,254	51.9%	570,023	44.4%	221,671	24.8%
Others	40,795	2.9%	25,851	2.0%	33,247	3.7%
Total	**1,430,890**	**100.0%**	**1,284,268**	**100.0%**	**894,351**	**100.0%**

Our sales to our largest customer, a U.S. importer, amounted to approximately HK$530.4 million, HK$478.2 million and HK$137.2 million, respectively, representing approximately 37.1%, 37.2% and 15.3%, respectively of our total revenue for the three years ended 31 March 2008, 2009 and 2010, respectively.

Our sales to importers decreased by approximately HK$173.2 million from approximately HK$743.2 million for the year ended 31 March 2008 to approximately HK$570.0 million for the year ended 31 March 2009, primarily due to (i) the decrease in our sales to our largest customer, a U.S. importer, due to decrease in its sales to its major customer (a megastore), which accounted for approximately 30.1% of the decrease; and (ii) decrease of our sales to certain U.S. importers mainly as a result of our decision to cease manufacturing at our production facilities in Jordan (where no import duty is imposed by the U.S.), which accounted for approximately 25.5% of the decrease. For the year ended 31 March 2010, our sales to importers decreased from approximately HK$570.0 million for the year ended 31 March 2009 to approximately HK$221.7 million. Such decrease is primarily attributable to the decrease in our sales to our largest customer, which in turn was caused by a decrease in orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it, which had accounted for approximately 97.9% of the decrease. The organisational changes refer to the re-location of offices of such megastore customer's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. Our Directors consider that impact of such organisational changes of the megastore customer has largely been reflected in our results for the year ended 31 March 2010, and do not expect that our sales to our customer, the U.S. importer, will further drop materially due to this factor. Our Directors confirmed that since 31 March 2010 and up to the

Latest Practicable Date, there have been no notification and indication of non-payment of our trade receivables or the need to make provisions for our inventories and trade receivables. Further, based on the unaudited management accounts of the Group for the four months ended 31 July 2010, the Group recorded a turnover of approximately HK$328.1 million which is comparable to the corresponding period of last year. It should be noted that the above unaudited revenue figure may not be indicative of the full year results for 2011. As set out in the section headed "Risk factors" in this prospectus, our business and financial performance may be affected by a number of factors, including the risk factor headed "Our financial results are expected to be affected by the expenses in relation to the Global Offering and the costs of options granted under the Share Option Scheme".

We have offices in the U.S., the PRC, Hong Kong and Macau, and a representative in Canada to provide sales supporting and/or customer services to enhance the quality and efficiency of our sourcing management services to our customers.

We have in-house production plants in the PRC and Indonesia as well as outsourcing production capabilities supported by our wide and established network of sub-contract manufacturers to cater for customised orders from our customers. Further, we have our own sample workshop currently consisting of approximately 81 staff to produce samples and our own designs within a short lead time.

We have a wide and established network of sub-contract manufacturers that can provide a wide range of garment products. Our customers may have diverse and/or specific requirements for our products, including type and range of products, complicated patterns or designs, or distinct colors, features or functions, and they may also require different production capabilities and expertise. We have established a wide network of sub-contract manufacturers with whom we have maintained good working relationships.

We adhere to consistent high quality standards. Our quality control procedures start from the raw materials procurement stage and various inspections are carried out at each stage of our manufacturing process. Quality reports are also prepared throughout our production process. In respect of our sub-contract manufacturers, we have a quality assurance and control team with 10 employees who oversees the performance of our sub-contract manufacturers by conducting on-site inspections. Members of such quality assurance and control team perform on-site quality inspections and testing procedures at the factories of our sub-contract manufacturers at different stages in the manufacturing process to ensure quality of our products.

Our revenue for the four months ended 31 July 2010 and the possible impact of certain non-recurring expenses to financial performance

Based on the unaudited management accounts of our Group for the four months ended 31 July 2010, our Group recorded a turnover of approximately HK$328.1 million which is comparable to the corresponding period of last year. Notwithstanding the above, our financial results will be affected by certain non-recurring expenses, including the expenses in relation to the Global Offering and the costs of the options granted under the Share Option Scheme.

The estimated expenses in relation to the Global Offering are approximately HK$18,700,000, of which approximately HK$6,335,000 is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity. The remaining estimated listing expenses of approximately HK$12,365,000 are to be charged to profit or loss of the Group for the six months ending 30 September 2010.

The costs of the options granted under the Share Option Scheme are calculated using the Binomial Model with assumptions on various inputs to the model such as the expected yield and share price volatility and on the basis of the exercise price being the Offer Price of HK$0.50 to HK$0.60. The fair value of the share options granted on 2 June 2010 is estimated to be approximately HK$6.81 million to HK$8.18 million. As the grant of share options will become effective on the Listing Date, which is expected to be 5 October 2010, the amount that will be charged to our profit or loss in the second half of the year ending 31 March 2011 as equity-settled expenses will be approximately HK$6.81 million to HK$8.18 million. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised to our profit or loss for the respective periods is subject to adjustment based on audit and the then changes in variables and assumptions.

	For the six months ending 30 September 2010 *(HK$'million)* *(A)*	**For the six months ending 31 March 2011** *(HK$'million)* *(B)*	**For the full financial year ending 31 March 2011** *(HK$'million)* *(C=A+B)*
Expenses in relation to the Global Offering *(note 1)*	12.4	–	12.4
Costs of the options granted under the Share Option Scheme *(note 1)*	–	6.81 to 8.18 *(note 2)*	6.81 to 8.18 *(note 2)*
Approximate amount charged to profit or loss of the Group for the period *(note 1)*	12.4	6.81 to 8.18	19.21 to 20.58

Notes:

1. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised to our profit or loss for the respective periods is subject to adjustment based on audit and the then changes in variables and assumptions.

2. On the basis of the exercise price being the Offer Price of HK$0.50 to HK$0.60, the fair value of the share options granted on 2 June 2010 is estimated to be approximately HK$6.81 million to HK$8.18 million respectively.

Such expenses in relation to the Global Offering and the costs of the options granted under the Share Option Scheme are non-recurring and were not incurred in the Track Record Period.

Accordingly, our Board wishes to inform our Shareholders and potential investors that, based on our preliminary review of the management accounts of our Group which have neither been confirmed nor audited by our independent auditor, the financial results of our Group for the six months ending 30 September 2010 are expected to be materially adversely affected by the estimated expenses in relation to the Global Offering, and our financial results for the year ending 31 March 2011 are expected to be affected by the costs of the options granted under the Share Option Scheme.

It should be noted that the above unaudited revenue figure may not be indicative of our full year results for 2011. As set out in the section headed "Risk factors" in this prospectus, our business and financial performance may be affected by a number of factors, including, amongst all, the risk factors headed "Our results of operations are subject to seasonality", "Our financial results are expected to be affected by the expenses in relation to the Global Offering and the cost of options granted under the Share Option Scheme" and "We do not have long-term contracts with our customers, which exposes us to potential volatility in our turnover" in the section headed "Risk factors" in this prospectus.

For the financial year ending 31 March 2011, our Directors expect that our customer base will remain stable, with growth in sales to a number of customers. Since we will expand into the retail market by launching our "夢仕臣"(Monstons) brand products, growth in sales attributable to the retail market is also expected. Save as disclosed in this section and the section headed "Risk factors" in this prospectus, there are no other trade factors or risks which we anticipate could materially affect our profits.

With regard to (i) the unaudited management accounts of the Group for the four months ended 31 July 2010; (ii) the signs of recovery of the global economy; and (iii) our orders on hand, which are comparable to the corresponding period of last year, our Directors are optimistic that our Group will be operating in a fairly stable environment for the year ending 31 March 2011.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

General global economic conditions and the consumer spending power

We source a comprehensive range of garment products for our direct customers mainly located in the U.S., Canada, the U.K., Mexico, Japan and the PRC. We believe that our financial condition and results of operations are and will continue to be affected by the general global economic conditions and the growth in disposable income of residents. The global economy had been growing steadily prior to the global downturn in 2009. According to The World Bank, world Gross Domestic Product ("**GDP**") increased from approximately US$41,917 billion in 2004 to approximately US$60,557 billion in 2008, and the CAGR of the period is approximately 9.6%, which reflects a steady growth. Associated with the steady growth of GDP, income levels have increased accordingly. World Gross National Income (GNI) per capita increased from approximately US$6,375 in 2004 to approximately US$8,654 in 2008 according to The World Bank, representing a CAGR of approximately 7.9%. Following the deepest global downturn in recent history, economic growth solidified and broadened to advanced economies in the second half of 2009. According to The World Bank, world output is expected to rise by approximately 2.7% in 2010 after an approximately 2.2% decline in 2009.

Our sourcing and production flexibility

We have our in-house production facilities in the PRC and Indonesia as well as outsourcing production capabilities supported by our wide and established network of sub-contract manufacturers. With our in-house production facilities, we can produce within a short lead time and are flexible in adjusting production time and volume. We can also adjust our offerings promptly which enable us to remain responsive to customers' specific needs and market demands. Our out-sourcing capabilities allow us to leverage the expertise, knowledge and equipment of our sub-contract manufacturers. Our production capability is not limited to our own manufacturing facilities, as we can utilise the production capabilities of our sub-contract manufacturers to satisfy our customers' demand.

We believe that our one-stop shop business model gives us a sustainable competitive edge by providing significant operational flexibility to our Group to meet changing market conditions and demands, and enhances our capabilities to cater for the needs of customers. We also believe that our Group's efficient production and sourcing management capabilities enable our Group to provide timely services to our customers in a cost efficient manner.

Our financial condition and results of operations will be significantly affected by our ability to maintain strong flexibility in making effective use of our internal production and sub-contract manufacturers.

Our market intelligence and sourcing ability

We offer a comprehensive range of products to our customers including Cut-and-Sew knitwear, Knit-to-Shape sweater and woven products, which include ladies', men's and kids' knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears. We also sell other miscellaneous items to our customers such as hats, scarves and handbags. We continuously monitor our product mix and source new products that we believe will generate higher customer demand, as part of our efforts to maximise revenues.

With our production and sourcing capabilities and stringent quality control procedures, we are able to provide a diversified and high-quality product mix to our customers and cater for their new demands or requirements. Our merchandising team has extensive production and technological knowledge in relation to garment industry. We research for or develop garment products for our customers to meet their requirements. With our strong design and development capabilities, we, from time to time, take the initiative to make recommendations on the use of fabrics or offer in-house designed samples to our customers for consideration.

We will continue to adjust our product mix and as we are to make the adjustments, our gross profit will be affected both by any change in revenues attributable to, and any change in the gross profit margin of, each product line.

Cost of labour

Any upward trends in cost of labour will affect our Group's operating results as the cost of manufacturing as well as the pricing of the sub-contract manufacturers would increase accordingly. Compared to garment manufacturers located in relatively-higher-wage areas, our low labour cost provides us with a competitive advantage. We expect that labour costs will continue to be subject to upward pressure, so we seek to improve our production processes and technology to enhance worker productivity in order to reduce the upward pressure on labour costs.

Cost of raw materials

The main raw materials consumed by our Group are fabric and accessories. Any upward trends in fabric prices or accessories will affect our Group's operating results as the cost of manufacturing as well as the pricing of the sub-contract manufacturers would increase accordingly.

Seasonality

Our results of operations are subject to seasonality. We generally sell and distribute our spring-summer seasonal products from October to March of the following year, and our autumn-winter seasonal products from April to September. Typically, September and October are the lower season. Unexpected and abnormal changes in climate may also affect the sales of our products that are timed for release during a particular season. For example, a warm winter may affect the sales of winter products, while a cool summer may affect the sales of T-shirts and other summer products. As a result, we believe that comparisons of our operating results and net income over any interim periods may not be meaningful and such comparisons may not be an accurate indicator of our future performance.

Level of income tax and preferential tax treatment

Our profit attributable to equity holders is affected by the level of income tax that we pay and the preferential tax treatment that we are entitled to.

Hong Kong

On 26 June 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 2008/2009. The applicable tax rate was 17.5%, 16.5% and 16.5% for the years ended 31 March 2008, 2009 and 2010, respectively.

PRC

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**New Law**") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "**Implementation Regulations**"). Under the New Law and Implementation Regulations, the statutory tax rate of 25% was effective from 1 January 2008. Before 1 January 2008, the statutory income tax rate was 33%.

Pursuant to the relevant laws and regulations in the PRC, a major PRC subsidiary, Jiangmen Factory, is exempted from PRC enterprise income tax for two years starting from its first profit-making year, which was 2008, followed by a 50% reduction for the next three years. The relevant PRC subsidiary can continue to enjoy the tax incentives granted to it according to the grandfathering provisions in the Implementation Regulations.

Macau

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

Other jurisdictions

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

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation which was completed on 8 September 2010 by principally interspersing our Company between FG Holdings and its shareholders, as detailed in the section headed "Reorganisation" in this prospectus, our Company became a holding company of the Group.

The Group was controlled by VC before and after the Reorganisation. Accordingly, the Financial Information has been prepared as if our Company had always been the holding company of the Group. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant entities now comprising the Group where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates.

Since 2006, VC owned 60% interest in Jiangmen Factory through its wholly owned subsidiary, Rocwide Limited ("**Rocwide**"). On 19 November 2009, the Group acquired the 40% interest in Jiangmen Factory not already controlled by VC from Independent Third Parties for an aggregate consideration of HK$19,000,000. On 7 April 2010, the Group acquired the entire equity interest in Rocwide from VC for a consideration of HK$48,000,000. In preparing the Financial Information, the Group has adopted the principle of merger accounting for business combination involving entities under common control. Accordingly, Jiangmen Factory has been accounted for as a 60% subsidiary during the Track Record Period until 18 November 2009 and as a wholly-owned subsidiary thereafter.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations as included in this prospectus is based on the Financial Information prepared in accordance with the significant accounting policies set forth in Note 4 to the Accountants' Report set out in Appendix I to this prospectus, which conform with HKFRS. Accounting methods, assumptions and estimates that underlie the preparation of the Financial Information affect our financial condition and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgements on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our Financial Information. We believe that the following accounting policies involve the most significant accounting judgements and estimates used in the preparation of our Financial Information.

Revenue recognition

We derive our revenue from the sourcing and manufacturing a variety of garment products for our customers. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Sale of goods is recognised when the goods are delivered and title has passed. Service income is recognised when services are provided. Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant lease. 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.

Inventories

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

Our management reviews the inventories listing at the end of each reporting period, and impairs obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance may be made by reference to the latest market value for those inventories identified. Where the net realisable value is less than the cost, a write down may arise.

Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of our Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of our customers are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value.

Depreciation and useful lives of property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The property, plant and equipment are depreciated using the straight-line method at the following rates per annum or over the following years:

Buildings	4%
Leasehold improvements	5 to 10 years or over the term of the relevant leases, if shorter
Furniture, fixtures and equipment	15% - 25%
Motor vehicles	20%
Plant and machinery	6 $^{2}/_{3}$% - 25%

PRINCIPAL ITEMS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Revenue, which is also our Group's turnover, represents the net invoiced value of goods sold during the Track Record Period after adjustments such as sales commission, allowances for returns and trade discounts. Our Group's revenue is principally generated from trading of garment, which represented approximately 97.4%, 97.7% and 98.8% of the total revenue for each of the three years ended 31 March 2008, 2009 and 2010, respectively. The remaining revenue is attributable to the provision of quality inspection service, which represented approximately 2.6%, 2.3% and 1.2% of the revenue for each of the three years ended 31 March 2008, 2009 and 2010 respectively. We have our own in-house production facilities to cater for the manufacturing needs of different products, and we have a wide and established network of sub-contract manufacturers that can provide a wide range of garment products. During the Track Record Period, approximately 26.7%, 24.2% and 29.9% of the garment products we sourced for our customers were produced in our in-house production facilities, while approximately 73.3%, 75.8% and 70.1% were sourced from our sub-contract manufacturers.

We derive our revenue mainly from sourcing a variety of garment products for our customers mainly located in the U.S., Canada, the U.K., Mexico, Japan and the PRC. The following table sets forth, for the periods indicated, a breakdown of our revenue by geographical segment:

	For the year ended 31 March					
	2008		2009		2010	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
U.S.	1,006,864	70.4%	814,752	63.4%	513,484	57.4%
Canada	150,220	10.5%	153,469	12.0%	148,815	16.6%
PRC	116,778	8.1%	92,512	7.2%	95,356	10.7%
Others	157,028	11.0%	223,535	17.4%	136,696	15.3%
Total	1,430,890	100.0%	1,284,268	100.0%	894,351	100.0%

U.S. and Canada are the most important markets of the Group, which together accounted for approximately 80.9%, 75.4% and 74.0% of our Group's revenue for each of the three years ended 31 March 2010, respectively. Our Group's revenue for the U.S. market were approximately HK$1,006.9 million, HK$814.8 million and HK$513.5 million for each of the three years ended 31 March 2010. The decrease in revenue for the U.S. market for the year ended 31 March 2009 was as a result of our decision to cease manufacturing at our manufacturing facilities in Jordan (where no import duty is imposed by the U.S.), which had been handling primarily our orders for our customers in the U.S. market (including one of our top five customers during the Track Record Period). Our Jordan Factory has relatively high labour cost with production labour mainly imported from Bangladesh and the PRC, and for cost efficiency reason, we decided to close our Jordan Factory. This resulted in a decrease in sales to one of our top five customers during the Track Record Period from approximately HK$157.5 million for the year ended 31 March 2008 to approximately HK$73.7 million for the year ended 31 March 2009. Further, there was a decrease in our sales to our largest customer, a U.S. importer, from approximately HK$530.4 million for the year ended 31 March 2008 to approximately HK$478.2 million for the year ended 31 March 2009, due to the decrease in its sales to its major customer (a megastore). For the year ended 31 March 2010, the decrease in revenue for the U.S. market was primarily attributable to the decrease in our sales to the Group's largest customer, a U.S. importer, from approximately HK$478.2 million for the year ended 31 March 2009 to approximately HK$137.2 million for the year ended 31 March 2010. Such decrease is primarily attributable to the decrease in its orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it and not related to the quality of our Group's products. The organisational changes refer to the re-location of offices of such megastore customer's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. Our Directors consider that the impact of such organisational changes of the megastore customer has largely been reflected in our results for the year ended 31 March 2010, and do not expect that our sales to our customer, the U.S. importer, will further drop materially due to this factor. Our Directors confirmed that since 31 March 2010 and up to the Latest Practicable Date, there have been no notification and indication of non-payment of our trade receivables or the need to make provisions for our inventories and trade receivables. Further, based on the unaudited management accounts of our Group for the four months ended 31 July 2010, our Group recorded a turnover of approximately HK$328.1 million which is comparable to the corresponding period of last year. The above unaudited revenue figure may not be indicative of the full year results for 2011. Our business and financial performance may be affected by a number of factors as set out in the section headed "Risk factors" in this prospectus. In addition, consumer spending shrank and orders placed by certain customers of our Group in the U.S. market had also decreased in the year ended 31 March 2009 as a result of the global economic downturn, the sub-prime mortgage crisis, the investment bank failures, falling home prices and tight credit environment that had pushed the U.S. into a recession by mid-2008. Our Directors believe that the measures that we can adopt in order to manage the risks of our major customers reducing their purchases include increasing our product offerings and diversifying our client base.

The PRC apparel market is expanding with the country's economic growth. Despite that our Group recorded decrease in actual sales amount for the PRC market, the decrease in revenue was relatively less than that in other markets, and hence the relative revenue contribution from PRC increased from approximately 8.1% of our Group's revenue for the year ended 31 March 2008 to approximately 10.7% of our Group's revenue for the year ended 31 March 2010. Economies globally and in Greater China had seen signs of recovery since the later half of 2009. Our Directors believe that the improved market sentiment and optimism on the state of the economy will reinforce consumer confidence, and lead to increased spending on discretionary items, such as clothing.

Revenue from other markets of our Group also decreased in the Track Record Period as affected by the general economic environment, except for the increase in the year ended 31 March 2009 due to a one-off increase in orders from a particular customer in the U.K..

The following table sets forth the breakdown of our revenue by customer category:

	For the year ended 31 March					
	2008		**2009**		**2010**	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Brand owners/carriers	461,343	32.2%	468,252	36.5%	461,001	51.5%
Megastores	61,781	4.3%	81,239	6.3%	93,863	10.5%
Department stores	103,899	7.3%	84,247	6.6%	66,101	7.4%
Supermarket chains	19,818	1.4%	54,656	4.2%	18,468	2.1%
Importers	743,254	51.9%	570,023	44.4%	221,671	24.8%
Others	40,795	2.9%	25,851	2.0%	33,247	3.7%
Total	**1,430,890**	**100.0%**	**1,284,268**	**100.0%**	**894,351**	**100.0%**

Our sales to our largest customer, a U.S. importer, amounted to approximately HK$530.4 million, HK$478.2 million and HK$137.2 million, respectively, representing approximately 37.1%, 37.2% and 15.3%, respectively of our total revenue for each of the three years ended 31 March 2010.

Our sales to importers decreased by approximately HK$173.2 million from approximately HK$743.2 million for the year ended 31 March 2008 to approximately HK$570.0 million for the year ended 31 March 2009, primarily due to (i) the decrease in our sales to our largest customer, a U.S. importer, due to decrease in its sales to its major customer (a megastore), which accounted for approximately 30.1% of the decrease; and (ii) decrease of our sales to certain U.S. importers mainly as a result of our decision to cease manufacturing at our production facilities in Jordan (where no import duty is imposed by the U.S.), which accounted for approximately 25.5% of the decrease. For the year ended 31 March 2010, our sales to importers decreased from approximately HK$570.0 million for the year ended 31 March 2009 to approximately HK$221.7 million. Such decrease is primarily attributable to the decrease in our sales to our largest customer, which in turn was caused by a decrease in orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it, which had accounted for approximately 97.9% of the decrease. The organisational changes refer to the re-location of offices of such megastore customer's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. Our Directors consider that impact of such organisational changes of the major customer of our U.S. importer customer has largely been reflected in our results for the year ended 31 March 2010, and do not expect that our sales to such U.S. importer customer will further drop materially due to this factor. Our Directors confirmed that since 31 March 2010 and up to the Latest Practicable Date, there have been no notification and indication of non-payment of our trade receivables or the need to make provisions for our inventories and trade receivables. Further, based on the unaudited management accounts of our Group for the four months ended 31 July 2010, our Group recorded a turnover of approximately HK$328.1 million which is comparable to the corresponding period of last year. The above unaudited revenue figure may not be indicative of the full year results for 2011. Our business and financial performance may be affected by a number of factors as set out in the section headed "Risk factors" in this prospectus.

Cost of sales

Our cost of sales were approximately HK$1,234.0 million, HK$1,122.8 million and HK$736.4 million for the years ended 31 March 2008, 2009 and 2010 respectively, comprises mainly subcontracting costs, direct labour costs and direct material costs.

The following table sets forth, for the periods indicated, a breakdown of our cost of sales:

	For the year ended 31 March					
	2008		2009		2010	
	(HK$'000)	%	*(HK$'000)*	%	*(HK$'000)*	%
Subcontracting costs	903,880	73.3%	850,589	75.8%	515,835	70.1%
Direct labour costs	74,603	6.0%	43,326	3.9%	38,262	5.2%
Direct material costs	217,771	17.6%	202,641	18.0%	162,272	22.0%
Others	37,740	3.1%	26,224	2.3%	19,993	2.7%
Total	1,233,994	100.0%	1,122,780	100.0%	736,362	100.0%

Subcontracting costs refers to the costs of the outsourced products and the processing fees we paid to our sub-contract manufacturers, and represented approximately 73.3%, 75.8% and 70.1% of the total cost of sales for the years ended 31 March 2008, 2009 and 2010 respectively.

Direct labour costs mainly refer to salary and staff benefits to manufacturing workers, representing approximately 6%, 4% and 5% of the total cost of sales for the years ended 31 March 2008, 2009 and 2010 respectively.

Direct material costs include material cost for yarns, different kind of fabrics, threads and accessories consumed by our Group for manufacturing of garment products, representing approximately 18%, 18% and 22% of the total cost of sales for the years ended 31 March 2008, 2009 and 2010 respectively. We purchase raw materials from various places in Asia, including, amongst all, Hong Kong, Japan, Taiwan, Macau and Indonesia. We also source fabric and yarn from the VC Group to ensure our involvement starts from the top of a garment supply chain for better management of the production cycle. The purchase of fabric and yarn from the VC Group by our Group accounted for approximately 38.9%, 48.8% and 20.8% of the direct material costs of our Group for the year ended 31 March 2008, 2009 and 2010 respectively and approximately 6.9%, 8.8% and 4.6% of the total cost of sales of our Group for the year ended 31 March 2008, 2009 and 2010 respectively.

Other cost of sales includes miscellaneous cost for production assembly such as shipment costs and manufacturing overheads, which accounted for approximately 3.1%, 2.3% and 2.7% of the total cost of sales for the years ended 31 March 2008, 2009 and 2010 respectively.

Other income

Other income was approximately HK$4.5 million, HK$4.0 million and HK$3.5 million for the years ended 31 March 2008, 2009 and 2010 respectively, amounted to approximately 0.3%, 0.3% and 0.4% of revenue for the respective years. Other income comprises mainly interest income, quota income, rental income from investment properties and property, plant and equipment and scrap sales.

Other gains and losses

Other gains or losses are generally gains or losses on disposal of properties, plant and equipment and leasehold land, gain on fair value changes of derivative financial instruments, net foreign exchange gains or losses on transactions and impairment losses or reversal of impairment loss recognised on receivables.

Our Group recorded net other losses of approximately HK$7.5 million for the year ended 31 March 2008, primarily attributable by the loss on fair value change of the investment properties held by a subsidiary of approximately HK$12.2 million (which was subsequently sold in the year ended 31 March 2009), and an exchange gain of approximately HK$5.3 million due to the slightly lower than the then average market rate used for booking foreign currency transactions.

Net other gains for the year ended 31 March 2009 was largely represented by a gain on disposal of an office premises of approximately HK$12.6 million.

Selling and distribution costs

Selling and distribution costs were approximately HK$19.8 million, HK$19.4 million and HK$15.5 million for the years ended 31 March 2008, 2009 and 2010 respectively, amounted to approximately 1.4%, 1.5% and 1.7% of revenue for respective years. Selling and distribution costs comprise mainly design and development expenses, transportation expenses, sales commission to export agents and claims expense.

Administrative expenses

Administrative expenses were approximately HK$108.3 million, HK$102.1 million and HK$96.5 million for the years ended 31 March 2008, 2009 and 2010 respectively, amounted to approximately 7.6%, 7.9% and 10.8% of revenue of the respective years. Administrative expenses comprise mainly staff salary, depreciation and other costs such as bank charges.

Share of loss of a jointly controlled entity

Share of loss of a jointly controlled entity in the year ended 31 March 2008 represents share of loss of Gojifashion Inc. ("**Goji**"), a joint venture company established in Canada and was principally engaged in sales and marketing of knitwear apparels in Canada. Goji has become dormant since 2008. Share of losses was only up to investment cost and hence no further loss of Goji was shared by our Group for the year ended 31 March 2009 and 2010.

Interest on bank borrowings wholly repayable within five years

Interest on bank borrowings wholly repayable within five years were approximately HK$6.8 million, HK$3.4 million and HK$2.3 million for the years ended 31 March 2008, 2009 and 2010 respectively, amounted to approximately 0.5%, 0.3% and 0.3% of revenue for the respective years. This consists primarily of interest expenses on our Group's bank loans and other borrowings.

Income tax expense

Our Company was incorporated in Bermuda and has subsidiaries incorporated in Hong Kong, the PRC, Canada, the USA, Indonesia, Macau, Jordan and BVI.

– Hong Kong tax

On 26 June 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 2008/2009. The applicable tax rate is 17.5%, 16.5% and 16.5% for the years ended 31 March 2008, 2009 and 2010, respectively.

– PRC tax

On 16 March 2007, the PRC promulgated the New Law by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued the Implementation

Regulations. Under the New Law and Implementation Regulations, the statutory tax rate of 25% was effective from 1 January 2008. Before 1 January 2008, the statutory income tax rate was 33%.

Pursuant to the relevant laws and regulations in the PRC, a major PRC subsidiary was exempted from PRC enterprise income tax for two years starting from its first profit-making year, which was 2008, followed by a 50% reduction for the next three years. The relevant PRC subsidiary can continue to enjoy the tax incentives granted to it according to the grandfathering provisions in the Implementation Regulations.

– Macau

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

– Other jurisdiction

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

RESULTS OF OPERATIONS

The following table is the extracts of the combined statements of comprehensive income from the Financial Information during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	1,430,890	1,284,268	894,351
Cost of sales	(1,233,994)	(1,122,780)	(736,362)
Gross profit	196,896	161,488	157,989
Other income	4,502	3,965	3,502
Other gains and losses	(7,533)	11,427	656
Selling and distribution costs	(19,831)	(19,445)	(15,465)
Administrative expenses	(108,308)	(102,060)	(96,469)
Share of loss of a jointly controlled entity	(338)	–	–
Interest on bank borrowings wholly repayable within five years	(6,754)	(3,407)	(2,253)
Profit before tax	58,634	51,968	47,960
Income tax expense	(2,321)	(3,493)	(7,115)
Profit for the year	56,313	48,475	40,845

Year to year comparison of results of operations

Year ended 31 March 2010 compared to year ended 31 March 2009

Revenue

Our revenue decreased by approximately 30.4% (i.e. approximately HK$389.9 million) to approximately HK$894.4 million for the year ended 31 March 2010 from approximately HK$1,284.3 million for the year ended 31 March 2009. The decrease was primarily attributable to the decrease in sales of approximately HK$341.0 million to our largest customer, a U.S. importer, from approximately HK$478.2 million for the year ended 31 March 2009 to approximately HK$137.2 million for the year ended 31 March 2010. Such decrease was primarily attributable to the decrease in its orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it and not related to the quality of our Group's products. The organisational changes refer to the re-location of offices of such megastore customer's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. Our Directors consider that impact of such organisational changes of the megastore customer has largely been reflected in our results for the year ended 31 March 2010, and do not expect that our sales to our customer, the U.S. customer will further drop materially due to this factor. Impact of the U.S. market on our revenue is proportionately larger as it is our most important market, accounting for approximately 57.4% and 63.4% of our revenue for each of the years ended 31 March 2010 and 2009 respectively. Further, revenue from other markets for the year ended 31 March 2009 had increased due to a one-off increase in orders from a particular customer in the U.K.. Our Directors believe that the measures that we can adopt in order to manage the risks of our major customers reducing their purchases include increasing our product offerings and diversifying our client base.

Cost of sales

Cost of sales decreased by approximately 34.4% to approximately HK$736.4 million for the year ended 31 March 2010 from approximately HK$1,122.8 million for the year ended 31 March 2009. Such decrease in cost of sales of our Group was mainly due to the decrease in production and purchases following the decrease in sales.

Gross profit and gross profit margin

As a result of the foregoing, gross profit decreased to approximately HK$158.0 million for the year ended 31 March 2010 from approximately HK$161.5 million for the year ended 31 March 2009. Gross profit margin increased to approximately 17.7% from approximately 12.6%. During the year, we improved our product offering by providing more value-added services to customers, such as the development of samples and designs, production of garment products which involve a more complicated production process and require a higher level of workmanship ("**Complicated Garment Products**"), and delivery of garment products within a short time frame. Examples of Complicated Garment Products include garments with styling and trendy elements such as embroidery, hand-stitched beading, smocking, pleating, distress and burn-out effects, picot edge, bias cutting, etc. while examples of basic items include knitted pants, shorts, leggings and short sleeve blouses. Garments that are made of functional fabric (e.g. quick-dry fabric) or fashionable/fine fabric (e.g. polyester chiffon, tulle, modal, rayon, satin with spandex, etc.) are also categorised as Complicated Garment Products. As a result, Complicated Garment Products which commanded higher profit margins than other basic items increased as a percentage of revenue. The increase in gross profit margin was mainly attributable to such change of product mix for the year.

Other income

Other income decreased by approximately 11.7% to approximately HK$3.5 million for the year ended 31 March 2010 from approximately HK$4.0 million for the year ended 31 March 2009. The decrease was mainly due to the drop of the income from the sales of scrap inventories from approximately HK$1.0 million for the year ended 31 March 2009 to approximately HK$0.5 million for the year ended 31 March 2010, as a large proportion of the stored scrap garments were sold in the years ended 31 March 2008 and 2009. Rental income of our Group, however, has increased from approximately HK$1.8 million for the year ended 31 March 2009 to approximately HK$2.3 million for the year ended 31 March 2010 due to the increase in rental income from new property acquired in the year.

Other gains and losses

Other gains decreased by approximately 94.3% to approximately HK$0.7 million for the year ended 31 March 2010 from approximately HK$11.4 million for the year ended 31 March 2009. Other gains for the year ended 31 March 2009 is largely represented by a gain on disposal of an office premises in mid 2008 of approximately HK$12.6 million.

Selling and distribution costs

Selling and distribution costs decreased by approximately 20.5% to approximately HK$15.5 million for the year ended 31 March 2010 from approximately HK$19.4 million for the year ended 31 March 2009. The decrease was primarily due to the decrease of design and development expenses following the decrease in sales in the year, and the decrease in sales commission paid by a subsidiary of our Company to export agents in the year ended 31 March 2010 after the change of channel of export from relying on agents to export directly by the subsidiary. Claims expense has increased from approximately HK$2.3 million in the year ended 31 March 2009 (representing approximately 11.9% of the total selling and distribution costs) to approximately HK$4.2 million in the year ended 31 March 2010 (representing approximately 27.1% of the total selling and distribution costs). The claims arose mainly from garment products which involved a more complicated production process. Profit margin of these products are normally higher than other basic products to, among others, compensate potential claims. During the year, claim amounts increased reflecting the fact that our Group produced more of these products for the year.

Administrative expenses

Administrative expenses decreased by approximately 5.5% to approximately HK$96.5 million for the year ended 31 March 2010 from approximately HK$102.1 million for the year ended 31 March 2009. The decrease was primarily due to the decrease in salary expense following the tightened cost control policy implemented during the year.

Interest on bank borrowings wholly repayable within five years

Interest on bank borrowings wholly repayable within five years decreased by approximately 33.9% to approximately HK$2.3 million for the year ended 31 March 2010 from approximately HK$3.4 million for the year ended 31 March 2009. The decrease was mainly due to the decrease in trade related bank borrowings following the decrease in revenue.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately 7.7% to approximately HK$48.0 million for the year ended 31 March 2010 from approximately HK$52.0 million for the year ended 31 March 2009.

Income tax expense

Income tax expense increased by approximately 103.7% to approximately HK$7.1 million for the year ended 31 March 2010 from approximately HK$3.5 million for the year ended 31 March 2009. The effective tax rate increased to approximately 14.8% for the year ended 31 March 2010 from approximately 6.7% for the year ended 31 March 2009. The increase was mainly due to two reasons, one was the gain on disposal of a self-used building in 2009, which was non-taxable in nature. These resulted in more non-taxable income in 2009. For the year ended 31 March 2010, no such material non-taxable income was noted. The other reason was the reduction in profit from the quality inspection service provided by our Group's Macau subsidiary. As the Macau subsidiary is exempted from Macau Complimentary Tax pursuant to the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18th October 1999, a decrease in its profit, as a result of a decrease in its revenue from approximately HK$30,109,000 for the year ended 31 March 2009 to approximately HK$10,383,000 for the year ended 31 March 2010, as a proportion to our Group's consolidated profit, has increased our Group's effective tax rate for the year ended 31 March 2010.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately 15.7% to approximately HK$40.8 million for the year ended 31 March 2010 from approximately HK$48.5 million for the year ended 31 March 2009.

Year ended 31 March 2009 compared to year ended 31 March 2008

Revenue

Our revenue decreased by approximately 10.2% (i.e. approximately HK$146.6 million) to approximately HK$1,284.3 million for the year ended 31 March 2009 from approximately HK$1,430.9 million for the year ended 31 March 2008. The decrease is primarily due to our decision to cease manufacturing at our production facilities in Jordan (where no import duty is imposed by the U.S.), which had been handling primarily our orders for our customers in the U.S. market (including one of our top five customers during the Track Record Period). Our Jordan Factory has relatively high labour cost with production labour mainly imported from Bangladesh and the PRC, and for cost efficiency reason, we decided to close our Jordan Factory. This resulted in a decrease in sales to one of our top five customers during the Track Record Period of approximately HK$83.8 million from approximately HK$157.5 million for the year ended 31 March 2008 to approximately HK$73.7 million for the year ended 31 March 2009. Further, there was a decrease in sales to our largest customer, a U.S. importer, from approximately HK$530.4 million for the year ended 31 March 2008 to approximately HK$478.2 million for the year ended 31 March 2009, due to the decrease in its sales to its major customer (a megastore). In addition, consumer spending shrank and orders placed by certain customers of our Group in the U.S. market had also decreased in the year ended 31 March 2009 as a result of the global economic downturn, the sub-prime mortgage crisis, the investment bank failures, falling home prices and tight credit environment that had pushed the U.S. into a recession by mid-2008. Given that the U.S. is the most important market of our Group which accounted for approximately 63.4% and 70.4% of our Group's revenue for each of the years ended 31 March 2009 and 2008 respectively, the impact on our Group's revenue was relatively large.

Cost of sales

Cost of sales decreased by approximately 9.0% to approximately HK$1,122.8 million for the year ended 31 March 2009 from approximately HK$1,234.0 million for the year ended 31 March 2008, primarily contributed by the decrease in the production and purchases following the decrease in sales.

Gross profit and gross profit margin

As a result of the foregoing, gross profit decreased by approximately 18.0% to approximately HK$161.5 million for the year ended 31 March 2009 from approximately HK$196.9 million for the year ended 31 March 2008. Gross profit margin decreased to approximately 12.6% for the year ended 31 March 2009 from approximately 13.8% for the year ended 31 March 2008.

Other income

Other income decreased by approximately 11.9% to approximately HK$4.0 million for the year ended 31 March 2009 from approximately HK$4.5 million for the year ended 31 March 2008. The decrease was mainly attributable to the income arose from the transfer of our Group's surplus trade quota to other trading companies in the year ended 31 March 2008, while in the year ended 31 March 2009, there was no surplus quota available for transfer to other trading companies and the trade quota system for textile exports from the PRC to the U.S. was eliminated after 31 December 2008. Hence, no income was derived from such quota transfer.

Other gains and losses

Our Group recorded net other losses of approximately HK$7.5 million for the year ended 31 March 2008 while recorded net other gains of approximately HK$11.4 million for the year ended 31 March 2009. The net other losses recorded by our Group were primarily attributable by the loss on fair value change of the investment properties held by a subsidiary of approximately HK$12.2 million (which was subsequently sold in the year ended 31 March 2009), and an exchange gain of approximately HK$5.3 million due to the slightly lower than the then average market rate used for booking foreign currency transactions. Net other gains for the year ended 31 March 2009 is largely represented by a gain on disposal of an office premises in mid 2008 of approximately HK$12.6 million.

Selling and distribution costs

Selling and distribution costs decreased by approximately 1.9% to approximately HK$19.4 million for the year ended 31 March 2009 from approximately HK$19.8 million for the year ended 31 March 2008. The decrease was mainly attributable to transportation expenses which correlates with the decrease in revenue. The decrease was partly offset by the increase of design and development expenses due to request from customers and the increase in sales commission to export agents due to change in channel of export.

Administrative expenses

Administrative expenses decreased by approximately 5.8% to HK$102.1 million for the year ended 31 March 2009 from approximately HK$108.3 million for the year ended 31 March 2008. The decrease was mainly due to suspension of operation of Jordan Factory during the year and the cost control measures implemented on staff cost during the year.

Share of loss of a jointly controlled entity

Share of loss of a jointly controlled entity in the year ended 31 March 2008 represents share of loss of Gojifashion Inc ("Goji"), a joint venture company established in Canada for sales and marketing of knitwear apparels in Canada. Goji has become dormant since 2008. Share of losses was only up to investment cost and hence no further loss of Goji was shared by our Group for the year ended 31 March 2009.

Interest on bank borrowings wholly repayable within five years

Interest on bank borrowings wholly repayable within five years decreased by approximately 49.6% to approximately HK$3.4 million for the year ended 31 March 2009 from approximately HK$6.8 million for the year ended 31 March 2008. The decrease was mainly due to the decrease in trade related bank borrowings following the decrease in revenue.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately 11.4% to approximately HK$52.0 million for the year ended 31 March 2009 from approximately HK$58.6 million for the year ended 31 March 2008.

Income tax expense

Income tax expense increased by approximately 50.5% to approximately HK$3.5 million for the year ended 31 March 2009 from approximately HK$2.3 million for the year ended 31 March 2008. The increase was mainly due to two reasons. One was the combination of effects of the PRC Tax Exemption Regime and the reverse of deferred tax of approximately HK$5 million in the year ended 31 March 2008 for the non-taxable gain on sales of investment properties which leads to a lower tax charge in the same year. The other reason was the reduction in profit from the quality inspection service provided by our Group's Macau subsidiary, As the Macau subsidiary is exempted from Macau Complimentary Tax pursuant to the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18th

October 1999, a decrease in its profit, as a result of a decrease in its revenue from approximately HK$37,906,000 for the year ended 31 March 2008 to approximately HK$30,109,000 for the year ended 31 March 2009, as a proportion to our Group's consolidated profit, has increased our Group's effective tax rate for the year ended 31 March 2009.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately 13.9% to approximately HK$48.5 million for the year ended 31 March 2009 from approximately HK$56.3 million for the year ended 31 March 2008.

LIQUIDITY AND CAPITAL RESOURCES

Our operations are funded through a combination of cash generated from our operations and bank borrowings. Our Directors are not aware of any material change to the sources of cash of our Group and the use of cash by our Group during the Track Record Period.

As of 31 March 2010, our material sources of liquidity are bank balances and cash of approximately HK$128.4 million and unutilised bank borrowing limits of approximately HK$191.0 million. We believe, after the successful listing of our Group, our liquidity requirements will be satisfied using a combination of the proceeds from the Global Offering, cash generated from operating activities and bank loans.

Cash flow data

The following table summarises, for the periods indicated, our combined statements of cash flows:

	For the year ended 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Net cash inflow from operating activities	119,438	81,473	62,231
Net cash inflow/(outflow) from investing activities	(15,872)	(35,689)	5,236
Net cash outflow from financing activities	(59,025)	(9,980)	(99,886)
Net increase (decrease) in cash and cash equivalents	44,541	35,804	(32,419)
Cash and cash equivalents at the beginning of the financial year	81,894	126,183	161,230
Effect of foreign exchange rate changes	(252)	(757)	(407)
Cash and cash equivalents at the end of the financial year	126,183	161,230	128,404

Operating activities

For the year ended 31 March 2010, the operating cash inflow before movements in working capital of our Group was approximately HK$64.2 million. Working capital decreased by approximately HK$1.4 million and was principally due to the increase in trade and bills receivables, other receivables, deposit and prepayments of approximately HK$2.6 million, the decrease in amounts due to related companies of approximately HK$9.9 million and partly offset by the decrease in inventories of approximately HK$6.0 million and increase in trade payables and accruals of approximately HK$4.7 million. The increase in trade and bills receivables, other receivables, deposits and prepayments mainly arise from the increase in amount of deposit paid for purchase of raw materials, while the decrease in amounts due to related companies is the result of the decrease in purchases from related companies due to changes in the fabric required for producing certain garment products. Inventory decreased due to decrease in production and purchases following the decrease in sales, while trade payables and accruals increased due to the more relaxed credit policy of the suppliers. After accounting for changes in working capital as explained, together with the interest paid on bank borrowings of approximately HK$2.3 million and the tax refund of approximately HK$1.6 million, our Group recorded a net cash inflow from operating activities of approximately HK$62.2 million.

For the year ended 31 March 2009, the operating cash inflow before movements in working capital of our Group was approximately HK$54.9 million. Working capital increased by approximately HK$35.6 million and was principally attributable to the decrease in trade and bills receivables, other receivables, deposits and prepayments of approximately HK$87.6 million and the decrease in inventory of approximately HK$6.3 million, partly offset by the decrease in trade payables and accruals of approximately HK$60.2 million. The decrease in trade and bills receivables, other receivables, deposits and prepayments was mainly because of the relatively lower level of the balance in the year ended 31 March 2009, when our Group implemented a more stringent control on receivable collection by the Group following the credit crunch. Similarly, suppliers of our Group, as affected by the credit crunch and the then tighter credit policy of the financial institutions, opted for faster collection policy, which is principally the reason for the decrease in trade payables and accruals as well as the amounts due to related companies. Inventory decreased due to decrease in production and purchases following the decrease in sales. After accounting for changes in working capital as explained, interest paid on bank borrowings of approximately HK$3.4 million and tax paid of approximately HK$5.6 million, our Group recorded a net cash inflow from operating activities of approximately HK$81.5 million.

For the year ended 31 March 2008, the operating cash inflow before movements in working capital of the Group was approximately HK$93.9 million. Working capital increased by approximately HK$41.3 million and was principally the result of the decrease in inventories of approximately HK$43.0 million and the decrease in trade and bills receivables, other receivables, deposits and prepayments of approximately HK$9.7 million, partly offset by the decrease in amounts due to related companies of approximately HK$11.1 million. The decrease in inventories was mainly because of the high inventory level as at 31 March 2007 caused by goods in transit. The decrease in amounts due to related companies was mainly because of the decrease of fabric purchased from the VC Group. After accounting for changes in working capital of approximately HK$41.3 million, the interest paid on bank borrowings of approximately HK$6.8 million and tax paid of approximately HK$9.0 million, our Group recorded a net cash inflow from operating activities of approximately HK$119.4 million.

Investing activities

For the year ended 31 March 2010, net cash from investing activities was approximately HK$5.2 million, mainly comprised the purchase of office premises and prepaid lease payments of approximately HK$44.2 million, partially offset by the net repayment from related companies of approximately HK$45.7 million.

Net cash used in investing activities for the year ended 31 March 2009 was approximately HK$35.7 million, mainly comprised the purchase of the current office premises and prepaid lease payments of our Group in Hong Kong of approximately HK$58.4 million and the net advance to related companies of approximately HK$32.3 million. The net advance to related companies was an internal cash management arrangement between holding company and subsidiaries of the related companies.

Net cash used in investing activities for the year ended 31 March 2008 was approximately HK$15.9 million mainly comprised of the purchase of property, plant and equipment of approximately HK$21.9 million, partially offset by the proceeds from sales of property, plant and equipment, leasehold land and investment properties of approximately HK$3.6 million.

Financing activities

Cash generated from our financing activities has been mainly derived from new bank loans, trust receipt loans and mortgage loans.

Net cash used in financing activities for the year ended 31 March 2010 was approximately HK$99.9 million, which was primarily due to net repayment of trust receipt loans of approximately HK$62.6 million and payment for acquisition of 40% interest in Jiangmen Factory of HK$19.0 million.

Net cash used in financing activities for the year ended 31 March 2009 was approximately HK$10.0 million, primarily due to net repayment to related companies of HK$50.7 million and the mortgage loan raised for the purchase of office premises of our Group in Hong Kong of approximately HK$42.6 million.

Net cash used in financing activities for the year ended 31 March 2008 was approximately HK$59.0 million, primarily attributable by net repayment to related companies of approximately HK$27.6 million and net trust receipt loans repaid of approximately HK$24.2 million.

Capital expenditures

Our capital expenditures have primarily been used in purchase of property, plant and equipment. The following table sets forth, for the periods indicated, our capital expenditures:

	For the year ended 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Property, plant and equipment	21,916	29,644	40,549
Prepaid lease payments	–	28,778	3,631
	21,916	58,422	44,180

Total capital expenditures was approximately HK$21.9 million for the year ended 31 March 2008, which was mainly incurred for acquisition of property, plant and equipment.

Total capital expenditures was approximately HK$58.4 million for the year ended 31 March 2009 mainly due to the purchase of building and prepaid lease payments of the current office premises of our Group in Hong Kong which located at 19/F and 20/F, Ford Glory Plaza, Cheung Sha Wan, Hong Kong. Our total capital expenditures further decreased to approximately HK$44.2 million for the year ended 31 March 2010, which was mainly incurred for acquisition of building and prepaid lease payment of Jiangmen Factory amounting to approximately HK$33.5 million.

Between 31 March 2010 and the Latest Practicable Date, we did not make any material capital expenditures.

We expect our capital expenditures in 2011 to be approximately HK$8.4 million, and intend to finance these capital expenditures primarily through a combination of internally generated cash flow, proceeds from the Global Offering, and bank borrowings. As we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our production capacities, actual expenditures may differ significantly from our current plans. Our planned capital expenditure projects may also be changed due to changes in business plans such as potential acquisitions, individual project progress, market conditions and outlook. Further, our ability to obtain sufficient funding for our planned capital expenditure projects in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other jurisdictions in which we operate.

COMMITMENTS

Capital commitments

The following table sets forth the aggregate amounts of our Group's capital commitments on a combined basis as at the dates indicated:

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Expenditure in respect of property, plant and equipment and prepaid lease payments contracted for but not provided in the Accountants' Report in Appendix I to this prospectus	58,258	–	–
Capital expenditure in respect of the capital injection to a wholly-owned subsidiary, FG Shenzhen, contracted for but not provide in the Accountants' Report in Appendix I to this prospectus	–	–	2,000

The contractual commitments as at 31 March 2008 represented acquisitions of property, plant and equipment and prepaid lease payments for office premises. The amounts were settled during the year ended 31 March 2009.

Operating lease commitments and arrangements

Our Group as lessee

	For the year ended 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Minimum lease payments paid under operating leases in respect of premises and warehouses during the year	3,148	6,399	5,533

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

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Within one year	2,291	3,317	2,451
In the second to fifth year inclusive	1,314	1,733	595
Total	3,605	5,050	3,046

Leases are negotiated for terms ranging from one to four years and rental is fixed throughout the lease period.

Our Group as lessor

At the respective reporting dates, our Group had contracted with tenants for the following future minimum lease payments:

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Within one year	263	–	–

NET CURRENT ASSETS/LIABILITIES

The table below sets out, as of the end of each reporting period, selected information for our current assets and current liabilities:

	At 31 March		
	2008	2009	2010
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Current assets			
Inventories	68,222	62,149	56,436
Trade and bills receivables, other receivables, deposits and prepayments	230,782	144,105	147,136
Amounts due from related companies	89,265	121,557	27,866
Derivative financial instruments	100	494	–
Prepaid lease payments	–	747	463
Tax recoverable	–	2,205	–
Bank balances and cash	126,183	161,230	128,404
	514,552	492,487	360,305
Assets held for sale	45,391	–	28,118
	559,943	492,487	388,423
Current liabilities			
Trade payables and accruals	177,102	116,865	122,697
Amounts due to related companies	100,130	50,165	27,960
Bank borrowings-amount due within one year	123,686	131,415	67,701
Tax payable	2,420	2,284	8,537
Derivative financial instruments	–	170	–
	403,338	300,899	226,895
Liabilities associated with assets held for sale	3,562	–	22,282
	406,900	300,899	249,177
Net current assets	153,043	191,588	139,246

We recorded a net current assets position of approximately HK$139.2 million as at 31 March 2010, compared to a net current assets position of approximately HK$191.6 million as at 31 March 2009. The net current assets decreased by approximately 27.3% mainly because of the decrease in cash and cash equivalent balance from approximately HK$161.2 million as at 31 March 2009 to approximately HK$128.4 million as at 31 March 2010. The cash position of our Group in the year ended 31 March 2009 was the strongest compared to that in 31 March 2010 and 31 March 2008, after the implementation of our Group's strategy to preserve the strong liquidity position and to keep more cash on hand in the year ended 31 March 2009 following the financial crisis and the then tighter credit policy of the financial institutions. Amounts due from related companies arose from the treasury management in the course of normal business operation of the then VC Group during the Track Record Period, which varies according to the treasury need of the then VC Group. Bank borrowings due within one year decreases due to the decrease of trade related loans following the decrease in sales in the year ended 31 March 2010.

We recorded a net current assets position of approximately HK$191.6 million as at 31 March 2009, compared to a net current assets position of approximately HK$153.0 million as at 31 March 2008. The net current assets increased by approximately 25.2% mainly because of the higher cash and cash equivalent balance of approximately HK$161.2 million as at 31 March 2009 as compared to approximately HK$126.2 million as at 31 March 2008, owing to the implementation of our Group's strategy to preserve the strong liquidity position in the year ended 31 March 2009 as explained above. The balance of trade and bills receivables, other receivables, deposits and prepayments decreased, mainly because of the more stringent control on receivable collection which accords our Group's strategy of preserving strong liquidity position. Similarly, suppliers of our Group, as affected by the financial crisis, credit crunch and the then tighter credit policy of the financial institutions, opted for faster collection policy, which is principally the reason for the decrease in trade payables and accruals.

TRADE AND BILLS RECEIVABLES ANALYSIS

The following table sets out the aging analysis of our trade and bills receivables (net of allowance for doubtful debts) for the Track Record Period:

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Trade and bills receivables (net of allowance for doubtful debts)			
0-30 days	106,090	66,008	72,007
31-60 days	78,166	26,147	41,804
61-90 days	19,175	18,584	9,192
91-120 days	900	7,126	851
Over 120 days	4,586	6,803	649
Subtotal	208,917	124,668	124,503
Other receivable, deposits and prepayments	21,865	19,437	22,633
Total	230,782	144,105	147,136

For the year ended 31 March 2010, the decrease in the total trade and bills receivables of approximately HK$0.2 million was mainly attributable to the longer trade and bills receivables turnover days of approximately 51 days for the year ended 31 March 2010 (as compared to approximately 47 days for the year ended 31 March 2009).

For the year ended 31 March 2009, the decrease in trade and bills receivables of approximately HK$84.2 million was mainly because of the Group's ability to speed up the collection of receivables following the implementation of our Group's strategy to preserve the strong liquidity position and to keep more cash on hand in the year ended 31 March 2009 after the financial crisis.

The impairment loss recognised on receivables of our Group as at 31 March 2008, 2009 and 2010 were approximately HK$0.8 million, HK$0.6 million and HK$0.8 million, respectively. Management of our Group performs regular reviews of trade receivables and provides against specific doubtful accounts. In determining impairment loss on receivables, management takes into account the credit history and payment pattern of their customers as well as their on-going relationship with our Group. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The impairment loss of trade receivables was made because of long overdue from customers during the Track Record Period.

	At 31 March		
	2008	**2009**	**2010**
Trade and bills receivables turnover days	55	47	51

The average trade and bills receivables turnover days decreased from approximately 55 days for the year ended 31 March 2008 to approximately 47 days for the year ended 31 March 2009, mainly due to the more stringent control on receivable collection and hence improvement in cash collection in the year ended 31 March 2009 following the financial crisis. The average trade and bills receivables turnover days increased from approximately 47 days for the year ended 31 March 2009 to approximately 51 days for the year ended 31 March 2010, which is within the general credit period given to customers.

We factor some of our receivables to factoring companies to hedge the risk of collection from customers as well as to maintain a cash inflow at a desired level for our business operation. Generally, we assess various aspects of a new customer to determine whether we should factor the receivables from it, including the relevant volume of the purchase order, its credit reference and background as well as the credit terms offered to it.

During the Track Record Period, we had engaged three factoring companies, most of the sale that we factored are without recourse. The sales that we factored to them without recourse represented approximately 39.9%, 40.1% and 23.8%, respectively, of our total turnover during the period. During the same period, the sales that we factored to the factoring companies with recourse accounted for 0%, approximately 0.33% and 6.81%, respectively, of our total turnover.

A factoring company that we factored our receivables to encountered financial difficulties and underwent corporate restructuring during the Track Record Period which resulted in our decrease in factored receivables in the year ended 31 March 2010. We did not experience any operational and financial impact as a result of the incident and we did not experience any loss from factoring our receivables during the Track Record Period and up to the Latest Practicable Date.

TRADE AND BILLS PAYABLES ANALYSIS

The table below shows the aging analysis of our trade and bills payables and the analysis of accruals and receipts in advance for the Track Record Period:

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Trade and bills payables			
0-60 days	136,328	83,689	85,914
61-90 days	15,774	6,172	7,630
Over 90 days	3,969	5,859	2,338
Subtotal	156,071	95,720	95,882
Accruals and receipts in advance			
Receipts in advance	–	312	338
Accruals	21,031	20,833	26,477
Subtotal	21,031	21,145	26,815
Trade payables and accruals	177,102	116,865	122,697

Trade and bills payables has decreased from the year ended 31 March 2008 to the year ended 31 March 2010, primarily because of the decrease in orders and hence decrease in purchases needed to meet customers' demand. Further, the decrease of trade and bills payables as at the year ended 31 March 2009 as compared to the year ended 31 March 2008 was mainly due to the tighter credit policy of suppliers of our Group after the financial crisis and the then tighter credit policy of the financial institutions. As shown in the table below, the trade and bills payable turnover days for the year ended 31 March 2010 returned to the level of that for the year ended 31 March 2008.

	At 31 March		
	2008	**2009**	**2010**
Trade and bills payables turnover days	47	41	47

The average trade and bills payables turnover days decreased from approximately 47 days for the year ended 31 March 2008 to approximately 41 days for the year ended 31 March 2009, mainly due to the more stringent control on cash collection of the suppliers following the financial crisis. The average trade and bills payables turnover days increased from approximately 41 days for the year ended 31 March 2009 to approximately 47 days for the year ended 31 March 2010, which is within the general credit period given by suppliers.

INVENTORY ANALYSIS

The following table sets out a summary of our inventory balances as of the balance sheet dates indicated:

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Raw materials	9,744	10,653	12,924
Work-in-progress	17,256	22,027	26,243
Finished goods	41,222	29,469	17,269
Total	68,222	62,149	56,436

Our Group is principally a sourcing management group engaging in sourcing and trading of garments with production capacity. As of 31 March 2008, 2009, 2010, the value of our inventories accounted for approximately 12.2%, 12.6% and 14.5% of current assets respectively. In accordance with our existing business model, we do not have a general inventory provision policy. We normally confirm purchase orders with our customers before we source for garments or purchase raw materials for production which is a common practice for the garment trading industry known as "pre-sold order". We have a policy to regularly review the obsolescence of inventories based on the expected future sales and the age of the inventories in order to further reduce the risk of accumulation of obsolete inventories. We also conduct physical stock counts from time to time in order to identify obsolete or damaged products. If the market conditions are less favourable than those forecast by the management and our unsold inventories remain for a period longer than we expected, we will make specific provision on an item-by-item basis and if the costs are higher than the corresponding estimated net realisable value of certain inventories, we make a provision against such inventories. Impairment loss was recognised on inventories for the year ended 31 March 2008 as a batch of finished goods had been aged over one year and sold out subsequently. During the year ended 31 March 2009 and 2010, we did not make any specific provisions for inventories, the reason being all of the ending inventories as at 31 March 2009 and 2010 were subsequently sold higher than costs.

	As at 31 March		
	2008	**2009**	**2010**
Inventory turnover days	26	21	29

The average inventory turnover days decreased from approximately 26 days for the year ended 31 March 2008 to approximately 21 days for the year ended 31 March 2009, mainly due to a large batch of finished garment products that were in the process of being delivered to a customer in the U.S. as at 31 March 2008. The average inventory turnover days increased from approximately 21 days for the year ended 31 March 2009 to approximately 29 days for the year ended 31 March 2010, mainly due to the increase in raw material inventory levels as a result of the addition of production in the PRC Factory of "Knit-to-Shape" garments which require a longer production lead time of approximately 75 to approximately 90 days compared to approximately 45 to approximately 60 days for "Cut-and-Sew" garments.

INDEBTEDNESS

Borrowings

The table below shows our indebtedness as of the end of each reporting period during the Track Record Period:

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Bank loans – secured	4,845	50,350	50,802
Bank loans – unsecured	118,841	120,885	55,466

The table below shows the maturity profile of our bank loans as of the end of each reporting period during the Track Record Period:

	At 31 March		
	2008	**2009**	**2010**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Within one year	123,686	131,415	87,083
Amount due after one year	–	39,820	19,185

At the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement, our Group had the following indebtedness:

– bills discounted with recourse and debts factored with recourse of approximately HK$0.6 million;

– import loans, export loans and trust receipt loans of approximately HK$80.5 million;

– mortgage loan of approximately HK$20.0 million; and

We recorded a net current assets position of approximately HK$180.6 million as at 31 July 2010, compared to a net current assets position of approximately HK$139.2 million as at 31 March 2010. The net current assets increased by approximately 29.7% mainly because of the net effect of increase in trade and bills receivables of approximately HK$39.1 million, decrease in trade and bills payables of approximately HK$54.7 million, increase in other receivables, deposits and prepayments of approximately HK$34.3 million and decrease in cash and cash equivalent balance of approximately HK$64.0 million. The increase in trade and other receivables was mainly because of more sales made in June and July 2010 when compared to that in February and March 2010. The decrease in bank balances, decrease in trade and bills payables and increase in other receivables, deposits and prepayments were mainly due to advance payment to suppliers as deposits to lock the price for raw materials.

Our Group generated its cash mainly from operating activities, including cash receipts from sales of goods and net off with the cash payments to acquire inventories and other necessary operating costs to run the business, for example, staff costs. In addition, our Group would also use its cash for repayment of trust receipt loans and mortgage loans. Our Group expects to continue to fund its operation in this way and not to raise material external debt financing in the near future, except for renewing those existing banking facilities of our Group for operation use.

Our Group had no outstanding obligations under hire purchase contracts or finance leases and it had no material contingent liabilities.

All our Group's banking facilities and total bank borrowings (which including bills discounted with recourse and debt factored with recourse, import loans, export loans and trust receipt loans and mortgage loan) of approximately HK$101.1 million as at 31 July 2010 are secured by corporate guarantees given by VC. Our Directors have confirmed that guarantees will be released and replaced by guarantees from our Company upon listing of its securities on the Stock Exchange.

As at 31 July 2010, bank borrowings to the extent of approximately HK$37.1 million were secured by fixed charges on certain of our Group's assets, including properties. The remaining bank borrowings of approximately HK$64.0 million were unsecured.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding at the close of business on 31 July 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Contingent liabilities

As of the Latest Practicable Date, we had no material contingent liabilities. We currently are not involved in major legal proceedings, nor are we aware of any pending or potential major legal proceedings involving us. If we are involved in such major legal proceedings, we would record any contingent losses when, according to the information then obtained, it is likely that a loss had been incurred and there is a reasonable estimate of the amount of the loss.

Disclaimers

Save as disclosed in the paragraph headed "Indebtedness" of this section, and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 March 2010.

Gearing ratios

The gearing ratio (calculated based on the total interest bearing debts for the respective periods, divided by total assets for the respective periods) was approximately 19.6%, 28.2% and 21.0% respectively for the years ended 31 March 2008, 2009 and 2010.

The gearing ratio increased from approximately 19.6% for the year ended 31 March 2008 to approximately 28.2% for the year ended 31 March 2009, mainly attributable to the mortgage loan raised for the acquisition of office premises and investment properties in the year ended 31 March 2009. The gearing ratio has decreased to approximately 21.0% for the year ended 31 March 2010 due to decrease of trade loans following the decrease in sales.

The net of cash gearing ratio (calculated based on the total interest bearing debt less cash and cash equivalents for the respective periods, divided by total assets for the respective periods) was nil, approximately 1.7% and nil for the years ended 31 March 2008, 2009 and 2010 respectively, indicating a strong liquidity position of the Group.

WORKING CAPITAL

Our Directors have confirmed that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our requirements and for at least 12 months commencing from the date of this prospectus.

DERIVATIVE FINANCIAL INSTRUMENTS

Major terms of the foreign currency forward contracts outstanding at the end of each reporting period during the Track Record Period are as follows:

Notional amount	Forward contract rates	Maturity date/ period of contracts
31 March 2008		
17 contracts to buy in total of US$42,500,000	US$1 to HK$7.705	Maturity of each contract per month from 30 April 2008 to 31 August 2009
17 contracts to sell in total of US$42,500,000	US$1 to HK$7.745	Maturity of each contract per month from 30 April 2008 to 31 August 2009
31 March 2009		
5 contracts to buy in total of US$12,500,000	US$1 to HK$7.705	Maturity of each contract per month from 30 April 2009 to 31 August 2009
5 contracts to sell in total of US$12,500,000	US$1 to HK$7.745	Maturity of each contract per month from 30 April 2009 to 31 August 2009
1 contract to sell in total of CAD800,000	US$1 to CAD1.2980	30 September 2009
31 March 2010		
Nil		

It is our Group's practice to address certain foreign currency exposure that arises as a result of entering into transactions involving large amounts of foreign currencies through the use of derivative financial instruments. Our Group primarily enters into foreign currency forward contracts to, reduce the effects of fluctuating foreign currency exchange rates, subject to the prevailing market conditions and pricing; and to hedge anticipated transactions as well as receivables and payables not denominated in the functional currency of the relevant group entities for periods consistent with its identified exposures.

Prior approval by our Directors is required for all such hedging operations.

The above derivatives are measured at fair value at the end of each reporting period. The fair values are measured using quoted forward exchange rates matching maturities of the contracts at the end of each reporting period.

SUBSEQUENT EVENTS

The following events have occurred subsequent to 31 March 2010:

(i) With a resolution in writing by shareholders of FG Holdings passed on 6 September 2010, FG Holdings declared a special dividend of HK$30,000,000 to its then existing shareholders. The dividend will be paid before Listing.

(ii) FG Holdings entered into a memorandum of understanding and Sky Winner Investment Limited, a wholly-owned subsidiary of FG Holdings at the date of this prospectus entered into a business transfer agreement with Yoko Sun, Mr. Lo Chi Hang Jack, Mr. Lai Fuk Sang and Mr. Lan Chi Fung (collectively, the "Transferors") on 29 July 2010 and 8 September 2010, respectively, in relation to the acquisition of an effective 70% interests in certain of Yoko Sun's assets ("**Business Assets**") for a total consideration of HK$1,200,000. It is intended that upon completion of the acquisition, the Business Assets will be operated by Sky Winner in which FG Holdings will have 70% effective interest whilst the remaining 30% interests will be held by each of Mr. Lo Chi Hang Jack, Mr. Lai Fuk Sang and Mr. Lan Chi Fung, the existing shareholders and directors of Yoko Sun, in equal proportions. The results of Sky Winner will be consolidated by the Group from the effective date when it becomes an indirectly owned subsidiary of FG Holdings.

Yoko Sun is engaged in production and sales of apparel products, with an online platform for recruitment of designers and sales of garment products, and points of sales at various locations including Hong Kong, Taiwan and the PRC under the name of "teelocker". Based on the audited accounts of Yoko Sun falling into the Track Record Period, Yoko Sun recorded an annual turnover of less than HK$2 million, profit after tax of less than HK$1 million, total assets and net assets of less than HK$1 million.

The acquisition of the Business Assets has not been completed at the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group as at 31 March 2010 as if the Global Offering had taken place on that date.

This statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2010 or at any future dates following the Global Offering. It is prepared based on the audited consolidated net assets of our Group attributable to equity holders of our Company as at 31 March 2010 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net assets of our Group attributable to equity holders of our Company at 31 March 2010	Deduct: intangible assets of our Group	Audited consolidated net tangible assets of our Group attributable to equity holders of our Company at 31 March 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*HK$*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*	*(note 5)*
Based on the maximum indicative Offer Price of HK$0.60 per Offer Share	229,743	5,541	224,202	52,100	276,302	0.63
Based on the minimum indicative Offer Price of HK$0.50 per Offer Share	229,743	5,541	224,202	40,300	264,502	0.60

notes:

1. The audited consolidated net assets of our Group attributable to equity holders of our Company as at 31 March 2010 is extracted from the Accountants' Report in Appendix I to this Prospectus.

2. This represents goodwill of our Group as extracted from the Accountants' Report set out in Appendix I.

3. The estimated net proceeds from the Global Offering are based on the maximum and minimum indicative Offer Price of HK$0.50 and HK$0.60 per Offer Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company in connection with the Global Offering.

4. By comparing the valuation of our Group's property interests as set out in Appendix III to this prospectus and the unaudited net book value of these properties as of 31 July 2010, the valuation surplus is approximately HK$99.5 million. This valuation surplus of the property interests will not be incorporated in our Group's consolidated financial statements for the year ending 31 March 2011. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation/amortisation charge of approximately HK$4.8 million would be incurred.

5. The unaudited pro forma adjusted consolidated net tangible assets per Share is based on a total of 438,000,000 Shares expected to be in issue immediately after the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares that may be issued upon any exercise of any options granted or that may be granted under the Share Option Scheme.

6. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company does not take into account the special dividend of HK$30,000,000 declared by FG Holdings on 6 September 2010 which will be paid to the then eligible Shareholders before Listing. The unaudited pro forma net tangible assets per share would have been reduced to HK$0.54 and HK$0.56 per share based on the Offer Price of HK$0.50 and HK$0.60 respectively, after taking into account the payment of the special dividend in the sum of HK$30,000,000.

PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix III to this prospectus. Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued the properties owned and leased by us as at 31 July 2010. The text of their letters, summaries of values and valuation certificates are set out in Appendix III to this prospectus.

A reconciliation of the net book value of the relevant property interests as at 31 March 2010 to their fair value as stated in Appendix III to this prospectus is as follows:

	HK$'000
Net book value of our Group's property interests as at 31 March 2010	65,647
Additions	–
Depreciation/amortisation	(895)
Disposals	–
Net book value of our Group's property interests as at 31 July 2010	64,752
Valuation surplus	99,548
Valuation amount as at 31 July 2010	164,300

DIVIDEND POLICY

On 6 September 2010, FG Holdings declared a special dividend of HK$30.0 million payable to its then shareholders. Such dividend will be paid before Listing. Investors should pay attention to the possible impact on our cashflow and working capital as a result of the payment of the special dividend. FG Holdings had also declared and paid dividends in the amount of HK$7.0 million, HK$6.2 million and HK$3.0 million to its then shareholders for the three years ended 31 March 2008, 2009 and 2010, respectively. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

We may declare dividends, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, the memorandum of association of our Company and the Bye-laws, the Companies Act, applicable laws and regulations and other factors that our Directors deem relevant. A distribution of dividend for any financial year shall be subject to Shareholders' approval.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, during the period from 1 April 2010 to the Latest Practicable Date (both dates inclusive), save as disclosed in the paragraph headed "Our revenue for the four months ended 31 July 2010 and the possible impact of certain non-recurring expenses to financial performance" of this section, there had been no material adverse change in the financial or trading position or prospects of our Group and no event had occurred that would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.