Deloitte.
德勤

17 September 2010

The Directors
Ford Glory Group Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Ford Glory Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2010 (the "Track Record Period") (the "Financial Information") for inclusion in the prospectus dated 17 September 2010 issued by the Company in connection with the initial public offering of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company was incorporated in Bermuda on 3 March 2010 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation, as more fully explained in the section headed "Reorganisation" to the Prospectus (the "Reorganisation"), the Company became a holding company of the Group on 8 September 2010.

At the date of this report, the Company has interests in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group				Principal activities
			At 31 March			Date of this report	
			2008	2009	2010		
Directly owned							
Brilliant Fashion Inc.	United States of America ("USA") 25 August 2009	Common stock US$100	–	–	100%	100%	Trading of garment products
Ford Glory Holdings Limited ("FG Holdings")	British Virgin Islands ("BVI") 28 May 2002	Ordinary US$100	100%	100%	100%	100%	Investment holding
Ford Glory International Limited	Hong Kong 11 July 1996	Ordinary HK$5,000,000	100%	100%	100%	100%	Trading of garment products

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group				Principal activities
			At 31 March			Date of this report	
			2008	2009	2010		
Glory Time Limited	Hong Kong 3 May 2004	Ordinary HK$100	70%	70%	70%	70%	Trading of garment products
Mayer Apparel Limited	Hong Kong 4 January 2006	Ordinary HK$100	51%	51%	51%	51%	Trading of garment products
Surefaith Limited	BVI 26 April 2005	Ordinary US$10	100%	100%	100%	100%	Investment holding
Rocwide Limited ("Rocwide")	BVI 6 June 2005	Ordinary US$10	100%	100%	100%	100%	Investment holding
Top Star Limited	Hong Kong 8 November 2002	Ordinary HK$2	100%	100%	100%	100%	Property holding
Top Value Inc.	USA 27 May 2005	Common stock US$1,000	100%	100%	100%	100%	Trading of garment products
Wealth Choice Limited	BVI 26 April 2005	Ordinary US$10	100%	100%	100%	100%	Investment holding
Value Plus (Macao Commercial Offshore) Limited	Macau 18 November 2002	Quota capital MOP100,000	100%	100%	100%	100%	Provision of quality inspection service
Indirectly owned							
CSG Apparel Inc.	Canada 11 January 2001	Common stock CAD1	100%	100%	100%	100%	Trading of garment products
PT. Victory Apparel Semarang	Indonesia 26 September 2005	Ordinary US$300,000	100%	100%	100%	100%	Manufacture of garment products
Victory Apparel (Jordan) Manufacturing Company Limited	Jordan 18 September 2005	Common stock JOD50,000	100%	100%	100%	100%	Manufacture of garment products

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group				Principal activities
			At 31 March			Date of this report	
			2008	2009	2010		
Jiangmen V-Apparel Manufacturing Ltd. ("Jiangmen Factory") *(note)* 江門冠暉製衣有限公司	The People's Republic of China ("PRC") 31 May 2000	Registered HK$30,000,000	60%	60%	100%	100%	Manufacture and trading of garment products
Ford Glory Trading (Shanghai) Limited ("FG Shanghai") *(note)* 福之源貿易（上海）有限公司	PRC 7 February 2006	Registered RMB1,000,000	100%	100%	100%	100%	Trading of garment products and accessories
Ford Glory (Shenzhen) International Ltd. ("FG Shenzhen") *(note)* 福源創業信息諮詢服務（深圳）有限公司	PRC 15 December 2009	Registered HK$3,000,000	–	–	100%	100%	Provision of procurement services

note: These companies are registered in the form of wholly foreign owned enterprise.

All of the above subsidiaries are limited liability companies incorporated/established in their respective place of incorporation/establishment.

The statutory financial statements of all the subsidiaries incorporated in Hong Kong for the Track Record Period were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong. The statutory financial statements of the other subsidiaries during the Track Record Period were audited by certified public accountants registered in their respective jurisdiction as follows:

Name of subsidiary	Financial year	Name of auditor
Jiangmen Factory	Each of the three years ended 31 December 2009	江門市新會志尚會計師事務所有限公司
FG Shanghai	Each of the three years ended 31 December 2009	上海上咨會計師事務所
Value Plus (Macao Commercial Offshore) Limited	Each of the three years ended 31 March 2010	Deloitte Touche Tohmatsu – Sociedade De Auditores

No statutory audited financial statements have been prepared for the Company, which was incorporated in Bermuda, and those subsidiaries which were incorporated in BVI, Canada, Jordan, Indonesia, or USA as there are no statutory audit requirements in these jurisdictions. Moreover, no statutory audited financial statements have been prepared for FG Shenzhen for the period from date of establishment to 31 December 2009 as the period is less than one year.

For the purpose of this report, the directors of FG Holdings, an intermediate holding company of all the entities in the Group during the Track Record Period, have prepared consolidated financial statements of FG Holdings and its subsidiaries for the Track Record Period or where shorter, from their dates of incorporation/establishment in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Financial Statements"). In addition, for the purpose of this report, the directors of Rocwide have prepared consolidated financial statements of Rocwide and its subsidiary, Jiangmen Factory, for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the "Rocwide Financial Statements"). We have undertaken an independent audit of the HKFRS Financial Statements and the Rocwide Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Pursuant to the Reorganisation, which was completed on 8 September 2010, 2010 by principally interspersing the Company between FG Holdings and its shareholders, the Company became a holding company of the Group. For the purpose of this report, we have reviewed all relevant transactions of the Company, which has not carried on any business other than the Reorganisation since its incorporation, and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Company in the Prospectus.

We have examined the HKFRS Financial Statements, the management accounts of the Company and the Rocwide Financial Statements for the Track Record Period (collectively referred to the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 2 below, after making such adjustments as considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2008, 2009, 2010 and of the Company as at 31 March 2010, and of the combined results and cash flows of the Group for the respective year then ended.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*8*	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	*10*	4,502	3,965	3,502
Other gains and losses	*11*	(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	*12*	58,634	51,968	47,960
Income tax expense	*14*	(2,321)	(3,493)	(7,115)
Profit for the year		56,313	48,475	40,845
Other comprehensive income				
Exchange difference arising on translation to presentation currency		2,495	721	(195)
Total comprehensive income for the year		58,808	49,196	40,650
Profit for the year attributable to:				
Owners of the Company		51,790	45,322	35,480
Minority interests		4,523	3,153	5,365
		56,313	48,475	40,845
Total comprehensive income attributable to:				
Owners of the Company		53,338	45,639	35,285
Minority interests		5,470	3,557	5,365
		58,808	49,196	40,650
		HK cents	*HK cents*	*HK cents*
Earnings per share – basic	*16*	16.2	14.2	11.1

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 March		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*17*	59,346	80,841	94,688
Prepaid lease payments	*18*	–	27,875	17,047
Goodwill	*19*	5,541	5,541	5,541
Deposit paid for acquisition of property, plant and equipment		6,473	1,020	–
Interest in a jointly controlled entity	*20*	–	–	–
		71,360	115,277	117,276
Current assets				
Inventories	*21*	68,222	62,149	56,436
Trade and bills receivables, other receivables, deposits and prepayments	*22*	230,782	144,105	147,136
Amounts due from related companies	*23*	89,265	121,557	27,866
Derivative financial instruments	*24*	100	494	–
Prepaid lease payments	*18*	–	747	463
Tax recoverable		–	2,205	–
Bank balances and cash	*25*	126,183	161,230	128,404
		514,552	492,487	360,305
Assets held for sale	*26*	45,391	–	28,118
		559,943	492,487	388,423
Current liabilities				
Trade payables and accruals	*27*	177,102	116,865	122,697
Amounts due to related companies	*23*	100,130	50,165	27,960
Bank borrowings – amount due within one year	*28*	123,686	131,415	67,701
Tax payable		2,420	2,284	8,537
Derivative financial instruments	*24*	–	170	–
		403,338	300,899	226,895
Liabilities associated with assets held for sale	*26*	3,562	–	22,282
		406,900	300,899	249,177
Net current assets		153,043	191,588	139,246
Total assets less current liabilities		224,403	306,865	256,522
Capital and reserves				
Share capital	*29*	–	–	–
Reserves		204,058	243,497	229,743
Equity attributable to equity holders of the Company		204,058	243,497	229,743
Minority interests		20,149	23,108	6,875
Total equity		224,207	266,605	236,618
Non-current liabilities				
Bank borrowings – amount due after one year	*28*	–	39,820	19,185
Deferred taxation	*30*	196	440	719
		196	40,260	19,904
		224,403	306,865	256,522

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Special reserve	Foreign currency translation reserve	Accumulated profits	Total	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	–	4,999	–	360	152,361	157,720	11,766	169,486
Profit for the year	–	–	–	–	51,790	51,790	4,523	56,313
Exchange difference arising on translation to presentation currency	–	–	–	1,548	–	1,548	947	2,495
Total comprehensive income recognised for the year	–	–	–	1,548	51,790	53,338	5,470	58,808
Capital injection in a subsidiary	–	–	–	–	–	–	3,197	3,197
Dividend recognised as distribution *(Note 15)*	–	–	–	–	(7,000)	(7,000)	–	(7,000)
Dividend paid to minority interests	–	–	–	–	–	–	(284)	(284)
At 31 March 2008	–	4,999	–	1,908	197,151	204,058	20,149	224,207
Profit for the year	–	–	–	–	45,322	45,322	3,153	48,475
Exchange difference arising on translation to presentation currency	–	–	–	317	–	317	404	721
Total comprehensive income recognised for the year	–	–	–	317	45,322	45,639	3,557	49,196
Dividend recognised as distribution *(Note 15)*	–	–	–	–	(6,200)	(6,200)	–	(6,200)
Dividend paid to minority interests	–	–	–	–	–	–	(598)	(598)
At 31 March 2009	–	4,999	–	2,225	236,273	243,497	23,108	266,605
Profit for the year	–	–	–	–	35,480	35,480	5,365	40,845
Exchange difference arising on translation to presentation currency	–	–	–	(195)	–	(195)	–	(195)
Total comprehensive income recognised for the year	–	–	–	(195)	35,480	35,285	5,365	40,650
Acquisition of additional interest in a subsidiary *(note i)*	–	–	1,961	–	–	1,961	(20,961)	(19,000)
Deemded capital distribution to Victory City International Holdings Limited ("VC") *(note ii)*	–	–	(48,000)	–	–	(48,000)	–	(48,000)
Dividend recognised as distribution *(Note 15)*	–	–	–	–	(3,000)	(3,000)	–	(3,000)
Dividend paid to minority interests	–	–	–	–	–	–	(637)	(637)
At 31 March 2010	–	4,999	(46,039)	2,030	268,753	229,743	6,875	236,618

notes:

(i) The amount of HK$1,961,000 represents discount on acquisition of 40% equity interest in Jiangmen Factory (see Note 2 for details).

(ii) This represents the deposit paid to VC for the acquisition of Rocwide (see Note 2 for details).

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before tax	58,634	51,968	47,960
Adjustments for:			
Depreciation of property, plant and equipment	14,887	13,813	13,015
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(21)	(12,572)	8
Interest income	(493)	(342)	(410)
Interest on bank borrowings	6,754	3,407	2,253
Gain on fair value changes of derivative financial instruments	(200)	(1,424)	(183)
Loss on fair value changes of investment properties	12,236	–	–
Impairment losses (reversal of impairment loss) recognised on receivables	808	(146)	783
Impairment losses recognised on inventories	885	–	–
Release of prepaid lease payments	87	156	792
Share of loss of a jointly controlled entity	338	–	–
Operating cash flows before movements in working capital	93,915	54,860	64,218
Decrease in inventories	42,971	6,252	6,017
Decrease (increase) in trade and bills receivables, other receivables, deposits and prepayments	9,727	87,578	(2,617)
Increase (decrease) in amounts due to related companies – trade	(11,068)	766	(9,923)
Increase (decrease) in trade payables and accruals	(406)	(60,186)	4,660
Increase in derivative financial instruments	100	1,200	507
Cash generated from operations	135,239	90,470	62,862
Interest paid on bank borrowings	(6,754)	(3,407)	(2,253)
Profits tax (paid) refund	(9,047)	(5,590)	1,622
NET CASH FROM OPERATING ACTIVITIES	119,438	81,473	62,231

	Year ended 31 March		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(15,443)	(28,624)	(40,549)
Purchase of prepaid lease payments	–	(28,778)	(3,631)
Deposit paid for acquisition of property, plant and equipment	(6,473)	(1,020)	–
Advance to related companies – non-trade	(39,888)	(92,768)	(4,655)
Repayment from related companies – non-trade	41,876	60,476	50,346
Deposits received/final proceeds from disposal of property, plant and equipment and leasehold land	1,223	17,359	3,315
Deposits received/final proceeds from disposal of investment properties	2,340	37,324	–
Interest received	493	342	410
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(15,872)	(35,689)	5,236
FINANCING ACTIVITIES			
Repayment to related companies	(86,226)	(174,630)	(91,400)
New bank loans raised	–	42,560	–
Net trust receipt loans (repaid) raised	(24,179)	5,380	(62,610)
Acquisition of additional interest in a subsidiary	–	–	(19,000)
Dividend paid	(7,284)	(6,798)	(3,637)
Repayment of mortgage loans	(3,181)	(391)	(2,357)
Advance from related companies – non-trade	58,648	123,899	79,118
Capital injection from minority interest to a subsidiary	3,197	–	–
NET CASH USED IN 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 BEGINNING OF THE YEAR	81,894	126,183	161,230
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(252)	(757)	(407)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	126,183	161,230	128,404

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its place of business is located at 19/F., Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the trading and manufacturing of garment products and provision of quality inspection services.

The Company's ultimate holding company is VC, a company incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Stock Exchange. The Company's immediate holding company is Victory City Investments Limited, a company incorporated in the BVI as an exempted company with limited liability. For the purpose of this report, VC, together with its subsidiaries other than entities comprising the Group, are collectively referred to as the "VC Group".

The functional currency of the Company is United States dollars ("US$"). The Financial Information is presented in Hong Kong dollars ("HK$") because the Company intends to list its shares on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation, which was completed on 8 September 2010, 2010 by principally interspersing the Company between FG Holdings and its shareholders, the 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 the 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. On 19 November 2009, the Group acquired the 40% interest in Jiangmen Factory not already controlled by VC from independent third parties for a 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.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards ("HKASs") and HKFRSs, Amendments and Interpretations ("Int"s) (hereinafter collectively referred to as "new HKFRSs") which are effective for the Group's financial periods beginning on 1 April, 2009. For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted all these new HKFRSs consistently throughout the Track Record Period.

At the date of this report, the following new and revised standards, amendments and interpretations have been issued which are not yet effective:

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

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

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

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

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

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

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except that certain financial instruments are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) and the ultimate holding company. Control is achieved where the Company and the ultimate holding company have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Acquisition of additional interest in a subsidiary

When the Group increases its interests in a controlled entity, the difference between the consideration paid by the Group to minority shareholder and the carrying value of the ownership interests acquired by the Group is recognised in special reserve.

Goodwill

Goodwill arising on an acquisition of a business other than involving entities under common control is carried at cost less any accumulated impairment losses and is presented separately in the combined statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to the relevant cash-generating unit ("CGU") that is expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of a CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entity

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

The results and assets and liabilities of jointly controlled entity are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interest in a jointly controlled entity is carried in the combined statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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.

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

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

Investment properties

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

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

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

Prepaid lease payment

Prepaid lease payments, represent up-front payments to acquire leasehold land interests, are stated at cost and released over the period of the lease on a straight-line basis. Prepaid lease payments which are to be released in the next twelve months or less are classified as current assets.

Non-current assets held for sale

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

Non-current assets classified as assets held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell except for investment properties which are measured at fair values.

Revenue recognition

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.

Leasing

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

The Group as Lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as Lessee

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

Leasehold land and building

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the group entities which are stated at functional currency other than HK$ and the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve). Exchange differences in relation to foreign operations are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The Group's financial assets at FVTPL are derivative financial instruments.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The Group's financial liabilities at FVTPL are derivative financial instruments.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis for debt instruments.

Other financial liabilities

Other financial liabilities including trade payables, amounts due to related companies and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative Financial Instruments

Derivatives that are not designated and effective as hedging instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty at the end of the reporting period that can significantly affect the carrying amounts of assets and liabilities recognised in the Financial Information within the next financial year are disclosed below.

Impairment loss on trade receivables

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

Impairment loss recognised on inventories

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 was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise.

Income taxes

As at 31 March 2010, deferred tax asset in relation to unused tax losses of HK$27,948,000 (see Note 30) was not recognised in the combined statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, a recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

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

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	435,105	417,460	291,089
Derivative financial instruments	100	494	–
Financial liabilities			
Amortised cost	379,887	317,120	230,110
Derivative financial instruments	–	170	–

7b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Several subsidiaries in the Group have foreign currency sales and purchases which expose the Group to risk due to changes in foreign exchange rates.

The carrying amounts of the Group's monetary assets and liabilities denominated in currencies other than functional currency of the relevant group entities at the end of each reporting period are as follows:

		At 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
HK$	77,099	160,914	61,030
British Pound ("GBP")	–	17,619	13,021
Canadian Dollar ("CAD")	9,286	4,694	4,253
Euro Dollar ("EURO")	379	1,436	1,044
Liabilities			
HK$	146,495	181,075	125,644

The Group also occasionally enters into foreign currency forward contracts. Details of such outstanding contracts at the end of each reporting period are set out in Note 24.

Sensitivity analysis

As HK$ is pegged to US$, the Group's currency risk in relation to its monetary assets, monetary liabilities and foreign currency forward contracts involving HK$/US$ exchanges is not expected to be significant.

The Group is mainly exposed to foreign currency risk of GBP, CAD and EURO.

The following table details the Group's sensitivity to a 5% increase and decrease in US$ against GBP, CAD and EURO. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. A 5% strengthening of GBP, CAD and EURO against US$ will give rise to exchange gain as follow, and vice versa.

		At 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Increase in profit	399	992	765

No sensitivity analysis was presented for the outstanding foreign currency forward contracts as the impact of the foreign currency forward contracts is insignificant.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances and floating rate bank borrowings. Most of the Group's bank borrowings carry interest based on Hong Kong Interbank Offer Rate ("HIBOR") or London Interbank Offer Rate ("LIBOR") plus a spread.

The Group's exposure to interest rate on financial liabilities is detailed in the liquidity risk management section of this note. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact to the Group's results for 2008, 2009 and 2010 is not significant.

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for each of the three years ended 31 March 2010 would decrease/increase by approximately HK$510,000, HK$715,000 and HK$444,000, respectively.

(iii) Other price risk

The Group is exposed to other price risk through its derivative financial instruments. The fair values of the derivative financial instruments are determined using quoted forward exchange rates matching maturities of the derivative financial instruments. The management monitors the price risk closely. No sensitivity analysis was presented for the outstanding foreign currency forward contracts as the impact of these derivative financial instruments is insignificant.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

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

The Group has no significant concentration of credit risk in relation to its trade debts, with exposure spread over a number of customers.

The Group has a concentration of credit risk in relation to the amounts due from related companies which are companies in VC Group, the balances of which at the end of the reporting period are set out in Note 23. Because of the close relationship between the Group and VC Group during the Track Record Period, management was able to obtain latest information related to VC Group's financial position and was able to take prompt action to recover the amounts due from VC Group should the need arise. In this regard, the directors of the Company consider that the Group's credit risk is minimal.

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

Liquidity risk

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

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

The following table also details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity table

	Weighted average interest rate	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**Over 1 year**	**Total undiscounted cash flows**	**Total carrying value**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2008							
Trade payables	–	80,919	75,152	–	–	156,071	156,071
Amounts due to related companies	–	100,130	–	–	–	100,130	100,130
Bank borrowings	4.77	69,080	55,076	6,815	–	130,971	123,686
		250,129	130,228	6,815	–	387,172	379,887

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Total undiscounted cash flows	Total carrying value
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2009										
Trade payables	–	46,455	49,265	–	–	–	–	–	95,720	95,720
Amounts due to related companies	–	50,165	–	–	–	–	–	–	50,165	50,165
Bank borrowings	3.88	33,556	77,126	22,118	3,512	3,514	3,521	34,094	177,441	171,235
		130,176	126,391	22,118	3,512	3,514	3,521	34,094	323,326	317,120
Derivatives-net settlement										
Foreign currency forward contracts		–	–	177	–	–	–	–	177	170

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Total undiscounted cash flows	Total carrying value
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2010										
Trade payables	–	45,336	50,546	–	–	–	–	–	95,882	95,882
Amounts due to related companies	–	27,960	–	–	–	–	–	–	27,960	27,960
Bank borrowings	2.19	25,459	64,362	954	1,809	1,811	1,812	16,056	112,263	106,268
		98,755	114,908	954	1,809	1,811	1,812	16,056	236,105	230,110

7c. Fair values

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

- the fair value of the derivative financial instruments were measured using quoted forward exchange rates matching maturities of the derivative financial instruments.

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

Fair value measurement recognised in the combined statements of financial position

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

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

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

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

At the end of each reporting period, all the Group's derivative financial instruments measured at fair value as set out in Note 24 fell within the Level 2 category.

There were no transfers between the three Levels during the Track Record Period.

8. REVENUE

The Group's revenue represents the amount received and receivable for trading and manufacturing of garment products and provision of quality inspection service during the Track Record Period:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Sale of garment products	1,392,984	1,254,159	883,968
Provision of quality inspection service	37,906	30,109	10,383
	1,430,890	1,284,268	894,351

9. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company's executive directors.

In the meantime of undergoing the Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares, the structure of the internal organisation of the Group has changed in a manner that causes the composition of its operating segments to change during the year ended 31 March 2010. The Group has presented the information of operating segments for the Track Record Period with the current basis of internal reporting. The details of the two operating segments are as follows:

Segment A – this segment includes certain subsidiaries of the Group which trade garment products to USA, Canada, Hong Kong and other locations except the PRC and provide quality inspection services

Segment B – this segment includes remaining subsidiaries of the Group which manufacture garment products and trade garment products in the PRC

For the purpose of resources allocation and performance assessment, the directors evaluate operating results and financial information primarily based on the above segments.

Information regarding the above segments is set out below.

Segment revenues and results

The following is an analysis of the Group's revenues and results by operating segment.

For the year ended 31 March 2008

	Segment A	Segment B	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	1,317,768	113,122	–	1,430,890
Inter-segment sales	–	242,930	(242,930)	–
Total	1,317,768	356,052	(242,930)	1,430,890
RESULTS				
Segment results	68,158	8,205		76,363
Unallocated income				1,923
Unallocated expenses				(12,560)
Share of loss of a jointly controlled entity				(338)
Interest expense				(6,754)
Profit before tax				58,634

For the year ended 31 March 2009

	Segment A	Segment B	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	1,197,893	86,375	–	1,284,268
Inter-segment sales	–	221,937	(221,937)	–
Total	1,197,893	308,312	(221,937)	1,284,268
RESULTS				
Segment results	34,881	6,334		41,215
Unallocated income				14,503
Unallocated expenses				(343)
Interest expense				(3,407)
Profit before tax				51,968

For the year ended 31 March 2010

	Segment A	Segment B	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	832,962	61,389	–	894,351
Inter-segment sales	–	199,681	(199,681)	–
Total	832,962	261,070	(199,681)	894,351
RESULTS				
Segment results	44,842	4,792		49,634
Unallocated income				594
Unallocated expenses				(15)
Interest expense				(2,253)
Profit before tax				47,960

Segment profit represents the profit earned by each segment without allocation of share of loss of a jointly controlled entity, gain (loss) on disposal of property, plant and equipment and prepaid lease payments, rental income from and fair value change on investment properties, gain on fair value changes of derivative financial instruments, investment income and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

2008

	Segment A	Segment B	Total
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	249,262	210,367	459,629
Unallocated assets			126,283
Asset classified as held for sale			45,391
Combined total assets			631,303
LIABILITIES			
Segment liabilities	80,246	196,986	277,232
Unallocated liabilities			126,302
Liabilities associated with asset classified as held for sale			3,562
Combined total liabilities			407,096

2009

	Segment A	Segment B	Total
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	302,831	141,004	443,835
Unallocated assets			163,929
Combined total assets			607,764
LIABILITIES			
Segment liabilities	80,295	86,735	167,030
Unallocated liabilities			174,129
Combined total liabilities			341,159

2010

	Segment A	Segment B	Total
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	176,955	172,222	349,177
Unallocated assets			128,404
Asset classified as held for sale			28,118
Combined total assets			505,699
LIABILITIES			
Segment liabilities	88,894	61,763	150,657
Unallocated liabilities			96,142
Liabilities associated with asset classified as held for sale			22,282
Combined total liabilities			269,081

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

- all assets other than bank balances and cash, derivative financial instruments, assets held for sale and tax recoverable are allocated to operating segments; and
- all liabilities other than current and deferred tax liabilities, bank borrowings, derivative financial instruments, and liabilities associated with assets classified as held for sale are allocated to operating segments.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Segment A	Segment B	Total
	HK$'000	*HK$'000*	*HK$'000*
2008			
Addition to non-current assets *(note)*	7,990	13,926	21,916
Depreciation	2,943	11,944	14,887
Impairment loss recognised on receivables	575	233	808
Release of prepaid lease payments	87	–	87
2009			
Addition to non-current assets *(note)*	54,961	3,461	58,422
Depreciation	2,301	11,512	13,813
Impairment loss recognised on receivables	623	–	623
Reversal of impairment loss on receivables	769	–	769
Release of prepaid lease payments	156	–	156
2010			
Addition to non-current assets *(note)*	3,973	40,207	44,180
Depreciation	2,088	10,927	13,015
Impairment loss recognised on receivables	808	–	808
Reversal of impairment loss on receivables	25	–	25
Release of prepaid lease payments	747	45	792

note: Amounts included additions to property, plant and equipment, prepared lease payments and deposit paid for acquisition of property, plant and equipment.

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

Geographical information

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

The Group's revenue from external customers by location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 March			Non-current assets At 31 March		
	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	24,051	31,544	15,263	10,324	60,831	34,300
PRC	116,778	92,512	95,356	31,560	31,459	65,448
USA	1,006,864	814,752	513,484	482	371	231
Canada	150,220	153,469	148,815	3	5	–
Others	132,977	191,991	121,433	28,991	22,611	17,297
	1,430,890	1,284,268	894,351	71,360	115,277	117,276

Information about major customers

The following customers individually contributed 10% or more to the Group's annual total revenue during the Track Record Period:

		Year ended 31 March		
		2008	**2009**	**2010**
	notes	*HK$'000*	*HK$'000*	*HK$'000*
Customer A		530,354	478,244	137,203
Customer B	*i*	157,451	73,685	90,378
Customer C	*ii*	81,516	92,686	118,631

Revenue from the above customers were all from Segment A.

notes:

(i) Revenue from this customer for the year ended 31 March 2009 contributed less than 10% of the Group's total sales for that year.

(ii) Revenue from this customer for the years ended 31 March 2008 and 2009 contributed less than 10% of the Group's total sales for the respective year.

Information about products and services

The Group's revenue represents sale of garment products and provision of quality inspection service (see note 8 for details).

10. OTHER INCOME

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interest income	493	342	410
Quota income	2,475	–	–
Rental income			
– investment properties	834	137	–
– property, plant and equipment	–	1,638	2,256
Scrap sales	41	1,007	508
Others	659	841	328
	4,502	3,965	3,502

11. OTHER GAINS AND LOSSES

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Gain (loss) on disposal of property, plant and equipment and leasehold land	21	12,572	(8)
Gain on fair value changes of derivative financial instruments	200	1,424	183
Net foreign exchange gains (losses)	5,290	(2,715)	1,264
(Impairment losses) reversal of impairment loss recognised on receivables	(808)	146	(783)
Loss on fair value change of investment properties	(12,236)	–	–
	(7,533)	11,427	656

12. PROFIT BEFORE TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax has been arrived at after charging:			
Directors' emoluments *(Note 13)*	1,117	1,066	1,030
Other staff costs *(note)*:			
Salaries and other allowances	129,490	96,055	86,708
Retirement benefit scheme contributions, excluding those of directors	5,518	4,391	4,951
Total staff costs	136,125	101,512	92,689
Auditors' remuneration	586	508	906
Depreciation of property, plant and equipment	14,887	13,813	13,015
Release of prepaid lease payments	87	156	792
Impairment loss recognised on inventories	885	–	–
and after crediting:			
Gross rental income from investment properties	834	137	–
Less: direct operating expenses from investment properties that generated rental income during the year	(229)	(37)	–
	605	100	–

Note: Other staff costs including salaries and other allowances of HK$33,296,000, HK$3,491,000 and nil, and retirement benefit scheme contributions of HK$1,549,000, HK$121,000 and nil for the year ended 31 March 2008, 2009 and 2010, respectively, represent staff worked for the Group but were employed by ex-owner of factory previously acquired. For the year ended 31 March 2008, 2009 and 2010, other staff costs also including salaries and other allowances of HK$2,481,000, HK$4,351,000 and HK$3,587,000, respectively, and retirement benefit scheme contributions of HK$212,000, HK$385,000 and HK$326,000, respectively, represent staff worked for the Group but were employed by an agency company.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid by the Group to the directors of the Company for the Track Record Period are as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Fee	–	–	–
Salaries and other allowances	1,105	1,054	1,018
Retirement benefit scheme contributions	12	12	12
	1,117	1,066	1,030
Executive directors:			
Choi Lin Hung	1,117	1,066	1,030
Ng Tze On	–	–	–
Lau Kwok Wa, Stanley	–	–	–
	1,117	1,066	1,030
Non-executive directors:			
Li Ming Hung	–	–	–
Chen Tien Tui	–	–	–
	–	–	–
Independent non-executive directors:			
Lau Chi Kit	–	–	–
Yuen Kin Kei	–	–	–
Mak Chi Yan	–	–	–
Wong Wai Kit, Louis	–	–	–
	–	–	–
	1,117	1,066	1,030

Employees

The five highest paid individuals of the Group included one director for the year ended 31 March 2008, 2009 and 2010, respectively, details of his emoluments are set out above. The emoluments of the remaining four individuals for the respective year are as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other allowances	2,841	3,148	3,235
Retirement benefit scheme contributions	36	36	36
	2,877	3,184	3,271

The emoluments for each individual were below HK$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

No other directors' emoluments were paid or payable for the Track Record Period. However, certain directors of the Company were also directors of VC whose fees, salaries and other benefits were paid by VC and no amount was charged to the Group for services that these directors rendered to the Group during the Track Record Period. None of the directors have waived any emoluments during the Track Record Period.

No remuneration was paid to the independent non-executive directors during the Track Record Period as all of them were appointed subsequent to the Track Record Period.

14. INCOME TAX EXPENSE

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
The tax charge comprises:			
Current tax:			
Hong Kong Profits Tax			
– current year	6,098	2,623	4,952
– under(over) provision in respect of prior years	26	(682)	(95)
	6,124	1,941	4,857
Enterprise income tax in the PRC attributable to subsidiaries	1,183	1,199	1,753
Overseas income tax	326	109	226
	7,633	3,249	6,836
Deferred tax *(Note 30)*:			
– current year	(5,312)	255	279
– effect of change in tax rate	–	(11)	–
	(5,312)	244	279
	2,321	3,493	7,115

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 is 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 is 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.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of comprehensive income as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	58,634	51,968	47,960
Applicable tax rate:	17.5%	16.5%	16.5%
Tax at the domestic income tax rate	10,261	8,575	7,913
Tax effect of expenses not deductible for tax purpose	1,076	2,298	591
The effect of income not taxable for tax purpose *(note)*	(3,432)	(2,147)	(666)
Tax effect of utilisation of tax losses previously not recognised	(79)	(596)	(284)
Tax effect of tax losses not recognised	502	–	145
Income tax on concessionary rate and tax exemption	(6,164)	(4,450)	(1,296)
Effect of different tax rates of subsidiaries operating in other jurisdictions	131	352	572
Under(over) provision in respect of prior years	26	(682)	(95)
Decrease in opening deferred tax liabilities resulting from a decrease in applicable rate	–	(11)	–
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	–	154	235
Tax charge for the year	2,321	3,493	7,115

note: The amount for the year ended 31 March 2008 includes HK$3,223,000 in respect of tax effect of fair value change of investment properties not taxable upon reclassification of such investment properties to assets held for sale. The amount for the year ended 31 March 2009 includes HK$2,074,000 in respect of tax effect of gain on disposal of property, plant and equipment.

15. DIVIDENDS

The Company did not declare nor pay any dividend during the Track Record Period. However, FG Holdings, an intermediate holding company, paid the following dividends to its then shareholders during the Track Record Period:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Dividend recognised as distribution during the Track Record Period:			
Interim dividend for the year ended 31 March 2008	7,000	–	–
Interim dividend for the year ended 31 March 2009	–	6,200	–
Interim dividend for the year ended 31 March 2010	–	–	3,000
	7,000	6,200	3,000

With a resolution in writing by FG Holdings's shareholders passed on 6 September 2010, FG Holdings declared a special dividend of HK$30,000,000 to its then existing shareholders.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the following data:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	51,790	45,322	35,480
Number of ordinary shares for the purpose of basic earnings per share	320,000,000	320,000,000	320,000,000

The number of ordinary shares for the purpose of calculating basic earnings per share for the Track Record Period is determined on the assumption that the Reorganisation and the capitalisation issue as described more fully in the paragraph headed "Resolution in writing of all shareholders passed on 8 September 2010" in Appendix V to the Prospectus has been effective on 1 April 2007.

No diluted earnings per share are presented as there were no dilutive ordinary shares in issue during the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 2007	6,528	13,091	9,988	2,889	46,841	79,337
Exchange realignment	(25)	429	350	53	1,587	2,394
Additions	–	3,402	2,134	264	9,643	15,443
Transfer to asset held for sale *(Note 26)*	(2,672)	–	–	–	–	(2,672)
Disposals	–	(14)	–	–	(139)	(153)
At 31 March 2008	3,831	16,908	12,472	3,206	57,932	94,349
Exchange realignment	18	188	151	18	752	1,127
Additions	29,993	1,304	1,250	862	1,688	35,097
Disposals	–	(499)	–	(81)	(70)	(650)
At 31 March 2009	33,842	17,901	13,873	4,005	60,302	129,923
Exchange realignment	7	(29)	(36)	(12)	(105)	(175)
Additions	29,873	1,434	3,469	1,355	5,438	41,569
Transfer to asset held for sale *(Note 26)*	(13,956)	–	(210)	–	–	(14,166)
Disposals	–	(1,650)	(1,513)	(1,015)	(1,686)	(5,864)
At 31 March 2010	49,766	17,656	15,583	4,333	63,949	151,287
DEPRECIATION						
At 1 April 2007	545	4,484	2,523	1,404	11,161	20,117
Exchange realignment	(1)	147	81	24	159	410
Provided for the year	282	3,044	2,070	575	8,916	14,887
Eliminated on transfer to asset held for sale *(Note 26)*	(378)	–	–	–	–	(378)
Eliminated on disposals	–	(5)	–	–	(28)	(33)
At 31 March 2008	448	7,670	4,674	2,003	20,208	35,003
Exchange realignment	2	50	96	12	474	634
Provided for the year	225	2,364	1,690	637	8,897	13,813
Eliminated on disposals	–	(287)	–	(17)	(64)	(368)
At 31 March 2009	675	9,797	6,460	2,635	29,515	49,082
Exchange realignment	1	(10)	(12)	(5)	(31)	(57)
Provided for the year	953	2,354	2,142	545	7,021	13,015
Eliminated on disposals	–	(1,525)	(1,323)	(986)	(1,607)	(5,441)
At 31 March 2010	1,629	10,616	7,267	2,189	34,898	56,599
CARRYING VALUE						
At 31 March 2008	3,383	9,238	7,798	1,203	37,724	59,346
At 31 March 2009	33,167	8,104	7,413	1,370	30,787	80,841
At 31 March 2010	48,137	7,040	8,316	2,144	29,051	94,688

The above items of property, plant and equipment are depreciated using the straight-line method at the following rates per annum or over the following years:

Buildings	4%
Furniture, fixtures and equipment	15% – 25%
Leasehold improvements	5 to 10 years or over the term of the relevant leases, if shorter
Motor vehicles	20%
Plant and machinery	$6^2/_3$% – 25%

18. PREPAID LEASE PAYMENTS

		At 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
The Group's prepaid lease payments comprise:			
Leasehold land in Hong Kong:			
Medium-term lease	–	28,622	13,923
Leasehold land in the PRC:			
Medium-term lease	–	–	3,587
	–	28,622	17,510
Analysed for reporting purposes as:			
Current asset	–	747	463
Non-current asset	–	27,875	17,047
	–	28,622	17,510

19. GOODWILL

	HK$'000
COST	
At 1 April 2007 and at the end of each reporting period	5,541

The carrying amount of goodwill is related to Jiangmen Factory which is in segment B. For the purposes of impairment testing, goodwill was allocated to a CGU relating to the garment product manufacturing business. The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 4%. The cash flows beyond the 5-year period are extrapolated using a steady 4% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions (even on the assumption with no growth rate and a higher discount rate of 10%) would not cause the carrying amount to exceed the recoverable amount.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	At 31 March		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	1,340	1,340	1,340
Share of post-acquisition loss	(1,340)	(1,340)	(1,340)
	–	–	–

During the Track Record Period, the Group had interest in the following jointly controlled entity:

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

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

21. INVENTORIES

	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
	68,222	62,149	56,436

22. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers a credit period of 30 to 120 days. Aged analysis of the Group's trade and bills receivables presented based on the invoice date at the end of each reporting period are as follows:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables:			
0 – 30 days	95,492	61,266	68,390
31 – 60 days	71,309	24,773	40,009
61 – 90 days	18,171	13,467	8,584
91 – 120 days	900	5,065	851
Over 120 days	4,586	6,803	649
	190,458	111,374	118,483
Bills receivables:			
0 – 30 days	10,598	4,742	3,617
31 – 60 days	6,857	1,374	1,795
61 – 90 days	1,004	5,117	608
91 – 120 days	–	2,061	–
	18,459	13,294	6,020
Other receivables, deposits and prepayments:			
Deposits and prepayments	1,851	3,858	5,365
Deposits paid for purchase of raw materials	8,606	4,341	6,882
Others	11,408	11,238	10,386
	21,865	19,437	22,633
	230,782	144,105	147,136

Before accepting any new customers, the Group assesses and understands the potential customer's credit quality. Management review each customer's credit quality regularly. All trade receivables that are neither past due nor impaired have good credit quality after taking into account of the repayment history of the trade customers. The Group has not identified any credit risk on these trade receivables. Included in the trade receivable balance are the following past due debts for which no impairment loss has been provided:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Over 120 days	4,586	6,803	649

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

As at March 31, 2008, 2009 and 2010, the Group discounted certain bill receivables to banks with recourse. The Group continued to recognise the portion of carrying amount of the respective receivables which were discounted until they were eventually settled by the customers as the Group was still exposed to credit risk on these receivables. As at March 31, 2008, 2009 and 2010, the carrying amount of bill receivables discounted with recourse was HK$4,845,000, HK$8,181,000 and HK$2,142,000, respectively.

The amount of trade and bills receivables, other receivables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

		At 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
HK$	170	2,330	1,010
GBP	–	146	–
CAD	9,286	2,684	412
EURO	140	–	–

Movement in the allowance for doubtful debts

		At 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	–	808	662
Impairment losses recognised on receivables	808	623	808
Amount recovered during the year	–	(769)	(25)
Balance at end of the year	808	662	1,445

The impairment losses recognised and the amounts written off as uncollectible (if any) were related to customers that were in financial difficulties.

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Details of the balances with related companies are as follows:

	At 31 March			Maximum amount outstanding during the year ended 31 March		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from fellow subsidiaries – non-trade *(notes (i) & (ii))*	75,538	4,063	4,655	75,538	75,538	4,655
Amount due from ultimate holding company – non-trade *(notes (i) & (ii))*	13,727	117,494	23,211	14,657	117,494	117,494
	89,265	121,557	27,866			
Amounts due to fellow subsidiaries						
– trade	11,201	11,967	2,044			
– non-trade *(notes (i) & (ii))*	88,929	38,198	25,916			
	100,130	50,165	27,960			

notes:

(i) All the above balances are unsecured, interest-free and repayable on demand.

(ii) The non-trade balances arose as a result of treasury management by VC Group during the Track Record Period. In the opinion of the directors, all non-trade balances will be settled prior to the listing of the Company's shares on the Stock Exchange.

Aged analysis of the Group's trade related amount due to related companies at the end of each reporting period are as follows:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due to fellow subsidiaries:			
– trade			
0 – 30 days	7,774	8,788	913
31 – 60 days	2,104	1,429	332
61 – 90 days	1,323	1,750	799
	11,201	11,967	2,044

The amounts due from (to) related companies that are denominated in a currency other than the functional currency of the relevant group entities are as follows:

	At 31 March		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
HK$			
Amounts due from fellow subsidiaries – non-trade	11,837	–	4,655
Amount due from ultimate holding company – non-trade	13,727	117,494	23,211
	25,564	117,494	27,866
HK$			
Amounts due to fellow subsidiaries – non-trade	44,041	10,667	23,714

24. DERIVATIVE FINANCIAL INSTRUMENTS

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

Notional amount	Forward contract rates	Maturity date/period of contracts
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
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
2010		
Nil		

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

25. BANK BALANCES AND CASH

Bank balances and cash

Bank balances and cash of the Group comprise bank balances and cash held and short-term bank deposits.

All bank balances carry prevailing market deposit rates. The range of effective interest rates at the end of each reporting period are as follows:

At 31 March

2008	1.5% to 2.7% per annum
2009	0.01% to 1.5% per annum
2010	0.001% to 0.8% per annum

Bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
HK$	51,365	41,090	32,154
GBP	–	17,473	13,021
CAD	–	2,010	3,841
EURO	239	1,436	1,044

26. ASSETS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

2008

On 17 October 2007, the Group entered into two separate sales and purchase agreements with independent third parties to dispose of certain property interests comprising a building for own use purpose and leasehold land for cash consideration of HK$18,336,000 and investment properties for cash consideration of HK$39,664,000.

Accordingly, the relevant property interests were reclassified from property, plant and equipment, prepaid lease payments and investment properties with the carrying amount of HK$2,294,000, HK$3,433,000 and HK$39,664,000, respectively, to assets held for sale in the combined statement of financial position as at 31 March 2008. The fair value of the Group's investment properties at 31 March 2008 has been determined by the directors of the FG Holdings by reference to the consideration in sales and purchase agreement.

The liabilities associated with assets held for sale in the combined statement of financial position at 31 March 2008 mainly included the sale deposit of HK$3,422,000 in respect of the above disposal.

The above disposal was completed on 27 May 2008 resulting in a gain on disposal of HK$12,549,000 (net of expenses of HK$60,000 related to the disposal) for the year ended 31 March 2009.

2010

On 28 January 2010, the Group entered into a sales agreement with an independent third party to dispose of a self-used building.

Accordingly, the relevant property interests were reclassified from property, plant and equipment and prepaid lease payments with the carrying amount of HK$14,166,000 and HK$13,952,000, respectively, to assets held for sale in the combined statement of financial position as at 31 March 2010.

The Group received a sale deposit of HK$2,900,000 in respect of the above disposal which together with bank borrowings of HK$19,382,000 were classified as liabilities associated with assets held for sale in the combined statement of financial position as at 31 March 2010.

The above disposal has not yet been completed at the date of this report.

27. TRADE PAYABLES AND ACCRUALS

Ageing analysis of the Group's trade payables presented based on the invoice date at the respective reporting dates are as follows:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade 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
	156,071	95,720	95,882
Accruals	21,031	20,833	26,477
Receipts in advance	–	312	338
	21,031	21,145	26,815
	177,102	116,865	122,697

The credit period taken for trade purchases is 30 – 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

The amount of trade payables that are denominated in a currency other than the functional currency of the relevant group entities are as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
HK$	3,904	7,354	6,652

28. BANK BORROWINGS

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Bills discounted with recourse and debts factored with recourse	4,845	8,181	2,142
Import loans, export loans and trust receipts loans	118,841	120,885	64,314
Mortgage loans	–	42,169	39,812
	123,686	171,235	106,268
Analysed as:			
– secured	4,845	50,350	50,802
– unsecured	118,841	120,885	55,466
	123,686	171,235	106,268
Carrying amount repayable:			
Within one year	123,686	131,415	87,083
In more than one year but not more than two years	–	2,412	1,276
In more than two years but not more than three years	–	2,475	1,311
In more than three years but not more than four years	–	2,545	1,345
In more than four years	–	32,388	15,253
	123,686	171,235	106,268
Less: Amount included in liabilities associated with assets held for sale	–	–	(19,382)
Other amount due within one year included in current liabilities	(123,686)	(131,415)	(67,701)
Amount due after one year	–	39,820	19,185

All the Group's bank borrowings carry floating interest rates. The range of contractual interest rates at the end of each reporting period are as follows:

At 31 March

2008	HIBOR plus 0.75% to LIBOR plus 0.95% per annum
2009	HIBOR plus 0.75% to LIBOR plus 2.5% per annum
2010	HIBOR plus 0.75% to LIBOR plus 2.5% per annum

The range of effective interest rates at the end of the each reporting period are as follows:

At 31 March

2008	4.29% to 4.54% per annum
2009	2.67% to 3.90% per annum
2010	1.75% to 3.50% per annum

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

		At 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
HK$	98,550	163,054	75,896

29. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
The Company		
Ordinary shares of HK$0.01 each		
Authorised:		
On 3 March 2010 (date of incorporation) and balance at 31 March 2010	1,000,000	10
Issued and fully paid:		
Issued of shares on 3 March 2010 (date of incorporation) and balance at 31 March 2010	3	–

For the purpose of the presentation of the combined statements of financial position, the balances of the share capital at 1 January 2008, 31 March 2008 and 31 March 2009 represent the combined share capital of FG Holdings and Rocwide. The balance of the share capital at 31 March 2010 represent the combined share capital of FG Holdings, Rocwide and the Company.

30. DEFERRED TAXATION

The following are the major categories of deferred tax liabilities recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation	Revaluation of investment properties	Dividend withholding tax	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	198	5,310	–	5,508
Credit to profit or loss	(2)	(5,310)	–	(5,312)
At 31 March 2008	196	–	–	196
Charge to profit or loss	101	–	154	255
Effect of change in tax rate	(11)	–	–	(11)
At 31 March 2009	286	–	154	440
Charged to profit or loss	44	–	235	279
At 31 March 2010	330	–	389	719

The Group had unused tax losses of approximately HK$32,401,000, HK$28,790,000 and HK$27,948,000 as at 31 March 2008, 2009 and 2010, respectively, which are available for offset against future profits. No deferred tax assets have been recognised in respect of these unused tax losses due to the unpredictability of future profit streams and such unused tax losses can be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profit carried by PRC subsidiaries from 1 January 2008 onwards. As at 31 March 2008, 2009 and 2010, deferred taxation has been provided in full in respect of any temporary differences attributable to such accumulated profits.

31. PLEDGE OF ASSETS

At the end of each reporting period, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	–	29,993	15,823
Prepaid lease payment	–	28,622	13,924
	–	58,615	29,747
Assets held for sale			
– property, plant and equipment	–	–	14,166
– prepaid lease payment	–	–	13,952
	–	–	28,118
	–	58,615	57,865

32. COMMITMENTS

(i) Capital and other commitments

	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 Financial Information	58,258	–	–
Capital expenditure in respect of the capital injection to a wholly-owned subsidiary, FG Shenzhen, contracted for but not provide in the Financial Information	–	–	2,000

(ii) Operating lease commitments and arrangements

The Group as lessee

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

	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
	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.

The Group as lessor

At the end of each reporting period, the 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	–	–

33. NON-CASH TRANSACTION

During the year ended 31 March 2010, the deposit of HK$48,000,000 paid for the acquisition of subsidiaries recognised as deemed capital distribution to VC in the combined statement of changes in equity was settled through current account with a related company.

34. RELATED PARTY DISCLOSURES

(I) Transactions

During the Track Record Period, the Group had the following transactions with related parties:

	notes	Year ended 31 March		
		2008	2009	2010
		HK$'000	HK$'000	HK$'000
VC Group				
Purchase of fabrics		84,642	98,941	32,016
Purchase of yarn		–	–	1,706
Rent paid	i	1,605	1,551	775
Utility expenses paid		1,937	2,210	3,931
Management fee expenses paid	i	960	960	960
Dividend paid		3,570	3,162	1,530
Other related party – Kimberley				
Purchase of apparel products	ii	38,295	53,962	69,816

Notes:

(i) Rent paid and management fee expenses paid have been discontinued in October 2009 and September 2010, respectively.

(ii) On 1 April 2007, the Group entered into a master sale and purchase agreement ("Kimberley-Mayer Master Agreement") with 加美(清遠)製衣有限公司 Kimberley (Qing Yuan) Garment Limited ("Kimberley"). Kimberley is owned by a director of a subsidiary of the Company. Pursuant to the Kimberley-Mayer Master Agreement, Kimberley agreed to supply apparel products to the Group. The Group placed deposits with Kimberley in the amount of HK$4,894,000, HK$1,020,000 and HK$5,518,000 at 31 March, 2008, 2009 and 2010, respectively (included in trade and other receivable), and purchased apparel products from Kimberley in the amounts as stated above for the respective year then ended.

In addition, since 19 November 2009, the VC Group has leased certain land from, and provided waste water treatment services to, the Group, at no cost, as set out in the section headed "Exempted continuing connected transactions" in the Prospectus.

(II) Balances

Details of balances with VC Group are set out in Note 23.

(III) Guarantees

All the Group's bank borrowings are guaranteed by VC Group throughout the Track Record Period. The guarantee provided by VC Group is released before the date of the Prospectus.

(IV) Compensation of key management personnel

The directors of the Company and the five highest paid employees are identified as key management members of the Group, their compensation during the Track Record Period is set out in Note 13.

B. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 3 March 2010 with an authorised share capital of HK$10,000 divided into 1,000,000 shares of HK$0.01 each. As at 31 March 2010, the Company had amounts due from shareholders of HK$0.03 and share capital of HK$0.03. The Company has not carried on any business since its date of incorporation to 31 March 2010, hence there was no distributable reserve as at 31 March 2010.

C. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or is payable by the Group to the Company's directors in respect of the Track Record Period.

Under the arrangement presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2011 is estimated to be approximately HK$3.0 million which is set out in one of the paragraphs headed "Remuneration of Directors" in Appendix V to this Prospectus.

D. SUBSEQUENT EVENTS

The following events have occurred subsequent to 31 March 2010:

(i) With a resolution in writing by the Company's shareholders passed on 6 September 2010, the Company declared a special dividend of HK$30,000,000 to its then existing shareholders. The dividend will be paid before initial public offering.

(ii) FG Holdings entered into a memorandum of understanding and Sky Winner Investment Limited ("**Sky Winner**"), a wholly-owned subsidiary of FG Holdings at the date of this report, entered into a business transfer agreement with Yoko Sun Limited ("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 a 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".

Set out below is a summary of financial information of Yoko Sun based on its financial statements for the periods stated below prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by HKICPA, and audited by a certified public accountant registered in Hong Kong:

	Year ended 31 December 2009	**Period from 20 July 2007 (date of incorporation) to 31 December 2008**
	HK$000	*HK$000*
Revenue	1,834	1,281
Profit (loss) before taxation	67	(54)
Profit (loss) after taxation	61	(54)

As at 31 December 2009, the total assets and net assets of Yoko Sun amounted to approximately HK$993,000 and HK$17,000, respectively. As at 31 December 2008, the total assets and net liabilities of Yoko Sun amounted to approximately HK$440,000 and HK$44,000, respectively.

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

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong