Ford Glory Group Holdings Limited
福源集團控股有限公司*

(incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock code 股份代號：1682

Annual Report **2011** 年報

Development of a
Better Future

** For identification purposes only 僅供識別*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Choi Lin Hung *(chairman and chief executive officer)*
Lau Kwok Wa, Stanley
Ng Tze On

Non-Executive Directors

Chen Tien Tui
Li Ming Hung

Independent Non-Executive Directors

Lau Chi Kit
Mak Chi Yan
Wong Wai Kit, Louis
Yuen Kin Kei

COMPANY SECRETARY

Chan Shuk Fun

AUDIT COMMITTEE

Yuen Kin Kei *(chairman)*
Lau Chi Kit
Mak Chi Yan
Wong Wai Kit, Louis

REMUNERATION COMMITTEE

Mak Chi Yan *(chairman)*
Lau Chi Kit
Wong Wai Kit, Louis
Yuen Kin Kei
Choi Lin Hung

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

CIMB Securities (HK) Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
CITIC Bank International Limited
Mizuho Corporate Bank, Ltd.
Wing Hang Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

19/F, Ford Glory Plaza
37-39 Wing Hong Street
Cheung Sha Wan
Kowloon
Hong Kong

STOCK CODE

1682

COMPANY WEBSITE

www.fordglory.com.hk

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March			
	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,430,890	1,284,268	894,351	**902,878**
Profit before tax	58,634	51,968	47,960	**31,245**
Income tax expense	(2,321)	(3,493)	(7,115)	**(10,053)**
Profit for the year	56,313	48,475	40,845	**21,192**
Attributable to:				
Owners of the Company	51,790	45,322	35,480	**17,225**
Non-controlling interests	4,523	3,153	5,365	**3,967**
	56,313	48,475	40,845	**21,192**

ASSETS AND LIABILITIES

	At 31 March			
	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	631,303	607,764	505,699	**557,537**
Total liabilities	(407,096)	(341,159)	(269,081)	**(230,933)**
	224,207	266,605	236,618	**326,604**
Equity attributable to:				
Owners of the Company	204,058	243,497	229,743	**315,264**
Non-controlling interests	20,149	23,108	6,875	**11,340**
	224,207	266,605	236,618	**326,604**

CHAIRMAN'S STATEMENT

We believe our well-developed upstream garment manufacturing and sourcing business would be the footstone for our future downstream expansion. We will continue to strengthen the core upstream arm to bring synergy to the downstream retail business.

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Ford Glory Group Holdings Limited (the "Company") and its subsidiary companies (the "Group" or "Ford Glory"), I am pleased to present our results for the year ended 31 March 2011.

BUSINESS REVIEW AND PROSPECTS

Ford Glory is a one-stop service provider offering an integrated platform for garment product supply chain to both global and domestic customers. Our competitiveness is due to our well-developed sourcing capabilities, coupled with our in-house large scale production facilities in the People's Republic of China (the "PRC") and Indonesia. Our differential value-added services to customers range from in-house production, sourcing, outsourcing, product design, product development, sampling, logistics to delivery.

The financial year under review was a challenging year for the overall textile and garment industry. The industry was confronted with tremendous operating pressures due to a slow pace of economic recovery in the European and the United States of America ("USA" or "US") markets, continued upsurge in cotton, yarn and fabric prices, the rapid appreciation of the Renminbi ("RMB") and general inflation including rising labour costs resulting from the quantitative easing policy and expansionary policy adopted by many countries following the financial crisis in 2008.

The Group's revenue was approximately HK$903 million, a slight increase of 1% compared with last year. The gross profit of the Group was approximately HK$154 million, representing 17.1% of the turnover with a drop of 0.6% compared with last year. Profit attributable to owners of the Company was approximately HK$17 million, representing a drop of 51.5% compared with last year (2010: HK$35 million). The drop was due to the one-off expenses of listing expenses, share-based payment and donation amounted to approximately HK$22 million in total charged to the year. If these one-off expenses are excluded, the Group's normal operating net profit would be approximately HK$39 million, representing an increase of 11.4% compared with last year.

Despite the severe and unstable business environment we faced during the year, the Group has successfully improved its normal operating net profit for the year as stated above. Through a series of continuous and proactive management actions, we managed to reduce administrative expenses by 7.2% compared with last year. This contributed to the improvement of the Group's normal operating net profit for the year.

CHAIRMAN'S STATEMENT

Manufacturing business

Revenue of the manufacturing segment increased by 20.9% to approximately HK$316 million, accounted for 34.9% of the Group revenue. The Group has invested approximately HK$4 million in plant and machineries for the year under review, this resulted in the increase of production capacity of the Group and hence the proportion of revenue from self-owned production to the Group revenue rose from 29.2% to 34.9% this year. With the western economy still struggling for recovery, the Group has made several strategic moves aiming to sustain our profitability.

The Group has been planning and is proceeding to re-open our production base in Jordan and to establish a new self-owned production base in Cambodia. These facilities are expected to commence operation in the second half of 2011. We expect these production facilities will increase the proportion of revenue from self-owned production capacities to around 60% when they are in full capacity. Customers in the US will enjoy import duty free for garments exported from Jordan, while customers in Canada and Europe will benefit from import duty free for garments from Cambodia. The US and Canada are where our major customers located, revenue generated from these two markets accounted for around 71% of the Group's revenue for the year under review. With the increase of these self-owned production capacities, we could better control the services provided to our customers, these include product quality control and timely product delivery. The Group has already received good orders for these two production bases. Furthermore, these production bases not only increase our competitiveness and bargaining power but also enable us to get ready for capturing more customer orders when market demand recovers in the future. On the other hand, we will continue to outsource customer orders to our sub-contractors in order to maintain our flexibility.

Retailing business

Apart from strengthening our core business, we also aim to diversify our business model by tapping into the booming retail market in China. We launched two of our own brands "Monstons" and "teelocker". "Monstons" is a brand of underwear and homewear products selling in large chain supermarkets in the PRC. In this financial year, "Monstons" successfully increased the retail network to more than 500 points of sales in the PRC.

In September 2010, the Group signed a business transfer agreement to acquire 70% interests of a branded T-shirt retail business – "teelocker". The business transfer was completed smoothly during the year. "teelocker" is a brand of T-shirts and accessories with an online platform for recruitment of talented designers from different countries over the world. Internet sales in the PRC is a fast growing market with enormous potential, it will be the target market that "teelocker" will focus on in coming years. As such, the Group has revamped the "teelocker" website, turning it into an interactive and fun platform, attracting designers from worldwide and shoppers across the country to exchange their fashion ideas. "teelocker" aims to offer the new generation with trendy and self-distinguishing outfits to demonstrate their personality and passion, and this portal would select the most inspiring designs whilst discovering young talented

CHAIRMAN'S STATEMENT

designers globally in the process. Year 2011 and 2012 will be important years for "teelocker" to further establish its brand identity nationally. "teelocker" has just opened a flagship shop at "taobao.com" which is the largest and most popular shopping web in the PRC. To expedite our pace in building up the brand and elevating brand awareness, carefully tailored marketing campaigns will be rolled out in year 2011 and 2012. We expect these series of special marketing campaigns will enhance the prominence of the brand and will create favourable contribution to the Group.

We believe our well-developed upstream garment manufacturing and sourcing business would be the footstone for our future downstream expansion. We will continue to strengthen the core upstream arm to bring synergy to the downstream retail business.

OUTLOOK

Looking forward, it is anticipated that the business operating environment is still challenging in the year ahead. Despite economy of most of the countries are gradually recovering after the financial crisis in 2008, the overall recovery remains fragile and unstable. High unemployment rate is still a major issue in many developed countries and European sovereign debt problem remain to be solved. Furthermore, the general inflation and appreciation of the RMB are expected to continue.

The Group expects the business environment in the coming financial year to remain challenging. However, we believe business prospects of the Group remain positive. The Group will continue its manufacturing capacity expansion to improve our market competitiveness and we will diversify ourselves to capture the business from the fast growing internet sales market in the PRC. Furthermore, tight controls on general and administrative expenses are still the continuing measures.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the shareholders, business partners, customers and suppliers for their continuous support. And I would also like to extend my deep appreciation to our management and staff for their valuable contribution to the Group.

Choi Lin Hung
Chairman

Hong Kong
28 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue was approximately HK$903 million for the year (2010: HK$894 million). The gross profit for the year was approximately HK$154 million representing 17.1% of turnover (2010: 17.7%). Profit attributable to owners of the Company was approximately HK$17 million, representing a drop of 51.5% compared with last year (2010: HK$35 million). The drop was due to the one-off expenses of listing expenses, share-based payment and donation amounted to approximately HK$22 million in total charged to the year. If these one-off expenses are excluded, the Group's normal operating net profit would be approximately HK$39 million, representing an increase of 11.4% compared with last year. This is mainly due to the tighter cost control over administrative and general expenses implemented by the Group during the year.

The Group's inventory level was approximately HK$108 million as at 31 March 2011, an increase of approximately HK$52 million compared with last year (2010: HK$56 million). Increase in finished goods is approximately HK$13 million which were mainly goods-in-transit being delivered to customers' warehouse. Another major reason attributable to the high inventory level is the increase in raw materials of approximately HK$44 million. The Group has received some program orders with delivery spreading over the year end to the first half of next financial years, thus, larger amounts of fabrics and accessories had been purchased before the year end. Such kind of program orders did not happen as at last year end.

The Group's deposits, prepayments and other receivables for this year end was approximately HK$84 million (2010: HK$23 million). This is due to increase in deposits paid to fabric supplier hedging for the yarn and fabric prices. The cotton, yarn and fabric prices jumped sharply during the year, the Group has generally locked the yarn and fabric prices immediately upon received of firm orders from customers in order to secure our gross profit margin.

Trade payable as at the year ended was approximately HK$63 million, a decrease of approximately HK$33 million compared with last year (2010: HK$96 million). Some of the Group's sub-contract manufacturers faced financial pressure from the upsurge of cotton, yarn and fabric prices for the year, in order to support our business partners with long term good relationship, the Group on average paid the sub-contract manufacturers earlier during the year as compared with last year.

Liquidity and financial resources

The Group continued to maintain a strong financial position for the year under review with cash and cash equivalents amounted to approximately HK$136 million as at 31 March 2011. Total bank borrowings of the Group as at 31 March 2011 was approximately HK$127 million including a mortgage loan of approximately HK$19 million of which approximately HK$18 million is repayable after one year, all the remaining bank borrowings of approximately HK$109 million are repayable within one year.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and cash equivalent) divided by shareholders' equity. As at 31 March 2011, the Group's cash and cash equivalents of approximately HK$136 million exceeded its total bank borrowings of approximately HK$127 million and resulted in no gearing. The Group's current ratio was approximately 1.9 (2010: 1.4).

For the year under review and as at 31 March 2011, the Group's bank borrowings were in Hong Kong dollars ("HK$") and US dollars ("US$"), the majority of interest-bearing bank borrowings of the Group were on HIBOR and LIBOR basis.

Foreign exchange risk management

Most of the Group's cash balances were deposits in US$, HK$ and RMB with major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US$, HK$ and RMB. The RMB is expected to continue the trend of appreciation, the Group has entered into a forward contract during the year to hedge some of the risks. And considering the Group's monetary assets in RMB is more than its monetary liabilities in RMB, we consider that the risk exposure in RMB is manageable.

Foreign exchange risks arising from sales and purchases transacted in different currencies are normally managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward or any other financial derivatives contracts are entered into by the Group for hedging purposes. The Group has not entered into any financial derivatives contracts for speculation.

Capital expenditure and commitments

During the year, the Group invested approximately HK$9 million (2010: HK$42 million) on additions to property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2011, the Group had commitments of approximately HK$4 million in respect of acquisition of new machineries and improvements on rented factory plant, which are financed by the net proceeds from global offering.

Charges on assets

As at 31 March 2011, certain properties of the Group with net book value of approximately HK$29 million (2010: HK$58 million) were pledged to a bank to secure banking facilities granted.

Employee information

As at 31 March 2011, the Group had a total workforce of 2,946 of whom 1,701 were based in the PRC, 1,158 were in Indonesia and 70 were located in Hong Kong and 17 were located in other places. The Group offers its employees competitive remuneration schemes which are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on individual's and the Group's performance.

The Company maintains a share option scheme (the "Share Option Scheme"), pursuant to which share options are granted to selected eligible participants including employees of the Group, with a view to providing those eligible participants with appropriate incentive to contribute to the success of the Group. Details of the Share Option Scheme are set out in Note 32 to the consolidated financial statements.

Use of proceeds from listing

The Company was successfully listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 5 October 2010 ("Listing Date"). The net proceeds from global offering were approximately HK$50.9 million after deducting related listing expenses. The following table sets forth the use of net proceeds during the year ended 31 March 2011.

Use of net proceeds from global offering	**Available to utilise** HK$ million	**Utilised as of 31 March 2011** HK$ million	**Unutilised as of 31 March 2011** HK$ million
Expansion and improvement of production facilities	25.5	4.1	21.4
Expansion of sample design and development capabilities	7.6	2.7	4.9
Promotional and marketing efforts	2.5	0.4	2.1
"Monstons" Brand development in the PRC market	10.2	4.9	5.3
Working capital purpose	5.1	5.1	–
Total	50.9	17.2	33.7

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Mr. Choi Lin Hung, aged 49, is the chairman and chief executive officer of the Company. He was appointed as an executive Director on 8 April 2010 with a director's service contract commenced on 8 September 2010. Mr. Choi is responsible for strategic planning and overseeing the overall operation and general management of the Group. He is the director of Brilliant Fashion Inc., CSG Apparel Inc., Ford Glory (Cambodia) Manufacturing Limited, Ford Glory Holdings Limited ("FG Holdings), Ford Glory International Limited ("FG International"), Glory Time Limited, Gojifashion Inc., Happy Noble Holdings Limited, Mayer Apparel Limited ("Mayer"), One Sino Limited, PT. Victory Apparel Semarang, Rocwide Limited, Sky Winner Investment Limited, Surefaith Limited, Top Star Limited, Top Value Inc., Value Plus (Macao Commercial Offshore) Limited, Wealth Choice Limited, 江門冠暉製衣有限公司, 福之源貿易（上海）有限公司 and 藝田貿易（上海）有限公司. He is also one of the authorised signatories of Victory Apparel (Jordan) Manufacturing Company Limited.

He was awarded a professional diploma in Company Secretaryship and Administration by The Hong Kong Polytechnic, the former of The Hong Kong Polytechnic University, in 1985. He obtained a master's degree in Business Administration from the University of Sheffield, the United Kingdom, in 1987. Prior to joining the Group in 1998, Mr. Choi had worked in Deutsche Bank and First Pacific Bank and had obtained extensive experience in the banking industry. Mr. Choi became an executive director of Victory City International Holdings Limited ("VC") in 2001 when VC and its subsidiaries ("VC Group") acquired the Group and remains an executive director of VC up to the date hereof.

Mr. Ng Tze On, aged 59, was appointed as an executive Director on 8 April 2010 with a director's service contract commenced on 8 September 2010. He is also the director of FG Holdings, FG International, Rocwide Limited, Surefaith Limited, Top Star Limited, Wealth Choice Limited, 江門冠暉製衣有限公司 and 福之源貿易(上海)有限公司. He was the director of Yee On Printing (China) Limited (怡安印花廠（中國）有限公司) and Yee On Printing Factory Limited (怡安印花廠有限公司) from 1995 to 1997 and from 1986 to 1997 respectively. Mr. Ng joined the Group in 1999 as a sample coordinator. He was later promoted to manager in 2001 and has been responsible for overseeing the operations of sample room. He has been responsible for production management since 2007. He is the brother of Mr. Ng Tsze Lun, one of the senior management staff of the Group.

Mr. Lau Kwok Wa, Stanley, aged 53, was appointed as an executive Director on 8 September 2010 with a director's service contract commenced on 8 September 2010. Mr. Lau joined the Group in 2006, he became and remains a director and substantial shareholder of Mayer since he joined the Group and up to the date hereof. He is responsible for the overall operation of Mayer including marketing for Mayer. Mr. Lau obtained a bachelor's degree in Arts, majoring in History and minoring in Government and Public Administration from The Chinese University of Hong Kong in 1982. He worked as an inspector in the Customs & Excise Department in Hong Kong from 1983 to 1989.

Mr. Lau started to work in the garment field in 1993 when he joined Kyosei Company as a manager. He founded Mayer Garment Limited (美雅創業製衣有限公司) with his wife in 1997 and he worked mainly in ladies' fashion in Japanese market. Mayer Garment Limited is held by Mr. Lau and his wife in equal shares, and is an investment holding company which holds factories, including the entire interest in 加美（清遠）製衣有限公司 (Kimberley (Qing Yuan) Garment Limited) ("Kimberley").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Li Ming Hung, aged 60, was appointed as a non-executive Director on 8 September 2010. Mr. Li is the chairman and an executive director of VC and a co-founder of the VC Group. Mr. Li is also the director of FG Holdings, FG International, Mayer, Rocwide Limited, Surefaith Limited, Wealth Choice Limited, 江門冠暉製衣有限公司 and 福之源貿易(上海)有限公司. He is also one of the authorised signatories of Victory Apparel (Jordan) Manufacturing Company Limited. Mr. Li has over 34 years' experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the VC Group. Mr. Li worked in Kam Fung Bleaching and Dyeing Factory Limited as manager from 1977 to 1991 and worked in Victory City Company Limited, now a subsidiary of VC, as a director from 1991 until now.

Mr. Chen Tien Tui, aged 62, was appointed as a non-executive Director on 8 September 2010. Mr. Chen is the chief executive officer and an executive director of VC and a co-founder of the VC Group. Mr. Chen is also the director of FG Holdings, FG International, Rocwide Limited, Surefaith Limited, Wealth Choice Limited, 江門冠暉製衣有限公司 and 福之源貿易(上海)有限公司. He is also one of the authorised signatories of Victory Apparel (Jordan) Manufacturing Company Limited. Mr. Chen has over 32 years' experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the VC Group. Mr. Chen worked in Kam Fung Bleaching and Dyeing Factory Limited as manager from 1971 to 1991 and worked in Victory City Company Limited, now a subsidiary of VC, as a director from 1991 until now. He is an independent non-executive director of China Lilang Limited which is a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Chi Kit, aged 66, was appointed as an independent non-executive Director on 8 September 2010. He retired from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in December 2000 after more than 35 years of service. Among the major positions in HSBC, he was the assistant general manager and head of Personal Banking Hong Kong and assistant general manager and head of Strategic Implementation, Asia-Pacific Region. He is a fellow of the Hong Kong Institute of Bankers ("Institute"). He was the chairman of the Institute's Executive Committee (from January 1999 to December 2000) and is currently the honorary advisor of the Institute's Executive Committee. He served at a number of committees appointed by the Government of the Hong Kong Special Administration Region, including the Advisory Council on the Environment (from October 1998 to December 2001), the Advisory Committee on Human Resources Development in the Financial Services Sector (from June 2000 to May 2001), the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption (from January 2000 to December 2003), the Environment and Conservation Fund Committee (from August 2000 to October 2006), the Innovation and Technology Fund (Environment) Projects Vetting Committee (from January 2000 to December 2004) and the Law Reform Commission's Privacy Sub-committee (from February 1990 to March 2006). He also served as chairman of the Business Environment Council Limited (from September 1998 to December 2001).

Mr. Mak Chi Yan, aged 48, was appointed as an independent non-executive Director on 8 September 2010. Mr. Mak obtained a bachelor's degree in Accountancy in 1996 and a master degree in Corporate Finance in 2002, both from The Hong Kong Polytechnic University. He has over 21 years' experience in securities dealing and asset management. Mr. Mak joined Sakura Finance Asia Limited in 1989 as a securities salesperson, and he was promoted to the position of assistant manager in 1992 and vice president in 1994, and remained in the same position until he left the company in 1998. He then worked in the corporate and institutional business division in HLG Securities Sdn Bhd from 1999 to 2000. Mr. Mak also worked as the associate director of UOB Kay Hian (Hong Kong) Limited, a company engaged in securities trading and investment in Asian financial markets from 2000 to 2011. Mr. Mak is currently the senior vice president of Genting Hong Kong Limited, a leading global leisure, entertainment and hospitality enterprise with core competences in both land and sea-bases businesses.

Mr. Wong Wai Kit, Louis, aged 50, was appointed as an independent non-executive Director on 8 September 2010. Mr. Wong commenced his employment at Phillip Securities (Hong Kong) Limited ("Phillip Securities") in 1993 and has over 18 years' experience in securities market. Mr. Wong was appointed as a dealing director at Phillip Securities in 1996 and has over 10 years' management experience in securities dealing. He was appointed as a responsible officer for Phillip Capital Management (HK) Limited in 2003 and gained over 7 years' experience in asset management. Mr. Wong has also been in

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

charge of the Research Department of Phillip Securities and has over 15 years' experience in financial research. He is currently the director of Phillip Securities and Phillip Capital Management (HK) Limited. Mr. Wong obtained a bachelor's degree in Arts, majoring in English Studies and Comparative Literature and Translation, in 1982 from The University of Hong Kong.

Mr. Yuen Kin Kei, aged 42, was appointed as an independent non-executive Director on 8 September 2010. He obtained a bachelor's degree in Accountancy from The Hong Kong Polytechnic, the former of The Hong Kong Polytechnic University, in 1992. He is a member of Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Taxation Institute of Hong Kong and The Hong Kong Securities Institute. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Yuen is currently the director – Treasury and Debt Financing of Shun Tak Holdings Limited ("Shun Tak"), a company listed on the Stock Exchange, responsible for treasury, fund raising and corporate finance affairs. He has 12 years' of experience in corporate finance, debt and equity fund raising and treasury management with Shun Tak. Prior to joining Shun Tak in July 1999, he spent 7 years' in total with another listed company in Hong Kong and an international accounting firm.

SENIOR MANAGEMENT

Mr. Ng Tsze Lun, aged 56, is the marketing director of the Group. He is the brother of Mr. Ng Tze On, one of our executive Directors. Mr. Ng is responsible for overseeing the daily operation and marketing of the garment products of the Group. He is also the director of Ford Glory (Cambodia) Manufacturing Limited, FG Holdings, FG International, Surefaith Limited, Value Plus (Macao Commercial Offshore) Limited and Wealth Choice Limited. Prior to joining the Group in 1998, Mr. Ng has 13 years' experience in trading. Mr. Ng was a director of a garment manufacturing company from 1986 to 1998.

Ms. Chan Shuk Fun *CPA*, aged 45, is the company secretary and the assistant general manager of the Company. Ms. Chan is responsible for monitoring the daily operation of finance function of the Group. She is also the director of Value Plus (Macao Commercial Offshore) Limited. She obtained the professional diploma in accountancy from The Hong Kong Polytechnic, the former of The Hong Kong Polytechnic University, in 1988. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan was an auditor at Deloitte Touche Tohmatsu from 1988 to 1990. She then worked as the accounting manager in companies engaging in trading from 1991 to 1998. Ms. Chan joined the Group in 1998 as the financial controller and was promoted to the assistant general manager in 2004.

Ms. Cheng Sylvia, aged 46, is the general merchandising manager of FG International, a subsidiary of the Company. She joined the Group in 2000. Ms. Cheng obtained a diploma in Management Studies jointly organised by The Hong Kong Polytechnic University and the Hong Kong Management Association in 2000. Prior to joining the Group, Ms. Cheng had around 9 years' experience in the field of garment merchandising. Ms. Cheng worked as personal assistant to the general manager of US womenswear, kids and Susie Tompkins divisions in Esprit de Corp (Far East) Ltd. from 1991 to 1993, as an executive assistant to the managing director and a senior merchandiser in Namon Ltd. from 1993 to 1998, as senior merchandiser in Mechantex Ltd. from 1998 to 1999 and as a senior merchandiser (and later promoted to assistant merchandising manager) in Associated Clothing Company (Hong Kong) Ltd. from 1999 to 2000.

Ms. Cheng Kam Wan, aged 47, is the general merchandising manager of FG International, a subsidiary of the Company. Ms. Cheng was awarded a craft certificate in light clothing manufacture by the Vocational Training Council in 1987. Prior to joining the Group in 2002, she had over 14 years' experience in garment merchandising. She worked as a senior merchandiser in Jefferson International Ltd. from 1988 to 1989, as a men's shirt merchandiser (and later promoted to section manager) in Mondial Services (Hong Kong) Ltd. from 1989 to 2002.

Ms. Leung Suk Hing, aged 45, is the merchandising manager of FG International, a subsidiary of the Company. In 1986, she completed a training course in quality control inspection in Clothing Industry Training Authority. Ms. Leung worked in a garment manufacturing company as product clerk since 1983. In 1989, she joined a trading company as a merchandiser. From 1993 to 2000, she worked in three garment companies as a merchandiser. Ms. Leung joined the Group in 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheuk Tak Kwong, aged 52, is the production executive of PT. Victory Apparel Semarang, our wholly-owned factory located in Indonesia. Mr. Cheuk is also the director of PT. Victory Apparel Semarang. He is responsible for overseeing the day-to-day operations of the factory. From 1984 to 1998, he worked in two trading companies as a merchandiser. He joined the Group in 2000.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2011.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Bermuda on 3 March 2010.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 8 September 2010.

Details of the reorganisation are set out in Note 2 to the consolidated financial statements.

The shares of the Company were listed on the Stock Exchange with effect from 5 October 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the trading and manufacturing of garment products and provision of quality inspection services. The activities of its principal subsidiaries are set out in Note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 27.

The Directors do not recommend the payment of a dividend and propose that the profit for the year be retained. Details of dividend for last year are set out in Note 13 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 August 2011 to 18 August 2011 both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 15 August 2011.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$9,119,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 30.

At 31 March 2011, the Company had no reserves available for distribution to shareholders in accordance with its Bye-Laws.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 30 to the consolidated financial statements.

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

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

DIRECTORS AND SERVICES CONTRACTS

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

Executive Directors:

Mr. Choi Lin Hung *(chairman and chief executive officer)*	(appointed on 8 April 2010)
Mr. Lau Kwok Wa, Stanley	(appointed on 8 September 2010)
Mr. Ng Tze On	(appointed on 8 April 2010)

Non-executive Directors:

Mr. Chen Tien Tui	(appointed on 8 September 2010)
Mr. Li Ming Hung	(appointed on 8 September 2010)

Independent Non-executive Directors:

Mr. Lau Chi Kit	(appointed on 8 September 2010)
Mr. Mak Chi Yan	(appointed on 8 September 2010)
Mr. Wong Wai Kit, Louis	(appointed on 8 September 2010)
Mr. Yuen Kin Kei	(appointed on 8 September 2010)

In accordance with Clause 108(A) of the Company's Bye-Laws, Mr. Choi Lin Hung, Mr. Ng Tze On and Mr. Li Ming Hung shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. All other Directors continue in office.

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" in this report and Note 36 to the consolidated financial statements, no contracts of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CONNECTED TRANSACTIONS

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

Details of the discloseable connected transactions for the year are set out in Note 36 to the consolidated financial statements. In the opinion of the independent non-executive Directors, these transactions entered into by the Group were:

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

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

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

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

Save as disclosed above, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, the interests and short positions of the Directors or chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of shareholding
Mr. Choi Lin Hung	The Company	Interest of controlled corporation	317,552,000 ordinary shares of HK$0.01 each of the Company ("Shares") (L) (Note 2)	–	72.5%
	VC	Beneficial owner	7,980,000 ordinary shares of HK$0.01 each of VC ("VC Shares") (L)	–	0.7%
		Beneficial owner	–	9,598,419 VC Shares (L) (Note 3)	0.8%
	Victory City Overseas Limited	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	Sure Strategy Limited	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (Note 4)	–	49.0%
Mr. Ng Tze On	The Company	Beneficial owner	–	5,350,000 Shares (L) (Note 5)	1.2%
Mr. Lau Kwok Wa, Stanley	The Company	Beneficial owner	–	5,350,000 Shares (L) (Note 5)	1.2%
	Mayer Apparel Limited	Beneficial owner	49 ordinary shares of HK$1.00 each (L)	–	49.0%
Mr. Li Ming Hung	The Company	Beneficial owner	277,360 Shares (L)	–	0.1%

REPORT OF THE DIRECTORS

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of shareholding
	The Company	Founder of a trust	3,512,080 Shares (L) (Note 6)	–	0.8%
	VC	Founder of a trust	196,386,000 VC Shares (L) (Note 6)	–	16.1%
		Beneficial owner	–	1,599,737 VC Shares (L) (Note 7)	0.1%
	Victory City Company Limited	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50.0%
	Victory City Overseas Limited	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
Mr. Chen Tien Tui	The Company	Beneficial owner	309,000 Shares (L)	–	0.1%
	The Company	Founder of a trust	3,512,080 Shares (L) (Note 8)	–	0.8%
	VC	Founder of a trust	196,386,000 VC Shares (L) (Note 8)	–	16.1%
		Beneficial owner	1,715,000 VC Shares (L)	–	0.1%
		Beneficial owner	–	1,599,737 VC Shares (L) (Note 7)	0.1%
	Victory City Company Limited	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50.0%
	Victory City Overseas Limited	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%

Notes:

1. The letter "L" denotes the Director's long position in the shares of the Company or the relevant associated corporation.

2. These Shares consist of 315,200,000 Shares held by Sure Strategy Limited and 2,352,000 Shares held by Merlotte Enterprise Limited. Sure Strategy Limited was owned as to 51% by Victory City Investments Limited and 49% by Merlotte Enterprise Limited. Merlotte Enterprise Limited was wholly-owned by Mr. Choi Lin Hung.

REPORT OF THE DIRECTORS

3. On 23 May 2003, Mr. Choi Lin Hung was granted 1,500,000 options under the share option scheme of VC to subscribe for 1,500,000 VC Shares, exercisable at a price of HK$2.35 per VC Share during a period from 27 May 2003 to 29 November 2011. The exercise price per VC Share and the number of VC Shares issuable upon exercise in full of these options were adjusted to HK$2.20 and 1,599,736 respectively upon the rights issue of VC becoming unconditional on 13 January 2009.

   On 9 October 2003, Mr. Choi Lin Hung was granted options under the share option scheme of VC to subscribe for 3,500,000 VC Shares, exercisable at a price of HK$3.04 per VC Share during a period from 9 October 2004 to 29 November 2011. The exercise price per VC Share and the number of VC Shares issuable upon exercise in full of these options were adjusted to HK$2.85 and 3,732,719 respectively upon the rights issue of VC becoming unconditional on 13 January 2009.

   On 7 June 2004, Mr. Choi Lin Hung was granted options under the share option scheme of VC to subscribe for 4,000,000 VC Shares, exercisable at a price of HK$3.15 per VC Share during a period from 7 June 2004 to 29 November 2011. The exercise price per VC Share and the number of VC Shares issuable upon exercise in full of these options were adjusted to HK$2.95 and 4,265,964 respectively upon the rights issue of VC becoming unconditional on 13 January 2009.

4. These shares were held by Merlotte Enterprise Limited, which is wholly-owned by Mr. Choi Lin Hung.

5. On 2 June 2010, each of Mr. Ng Tze On and Mr. Lau Kwok Wa, Stanley was granted 5,350,000 options under the Share Option Scheme to subscribe for 5,350,000 Shares. Such options are exercisable at HK$0.60 during a period from 5 October 2012 to 31 May 2020.

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

7. On 9 October 2003, Mr. Li Ming Hung and Mr. Chen Tien Tui were granted options under the share option scheme of VC to subscribe for 500,000 VC Shares and 500,000 VC Share respectively, exercisable at a price of HK$3.04 per VC Share during a period from 9 October 2004 to 29 November 2011. The exercise price per VC Share and the number of VC Shares issuable upon exercise in full of these options were adjusted to HK$2.85 and 533,246 respectively upon the rights issue of VC becoming unconditional on 13 January 2009 for each of Mr. Li Ming Hung and Mr. Chen Tien Tui.

   On 7 June 2004, Mr. Li Ming Hung and Mr. Chen Tien Tui were granted options under the share option scheme of VC to subscribe for 1,000,000 VC Shares and 1,000,000 VC Shares respectively, exercisable at a price of HK$3.15 per VC Share during a period from 7 June 2004 to 29 November 2011. The exercise price per VC Share and the number of VC Shares issuable upon exercise in full of these options were adjusted to HK$2.95 and 1,066,491 respectively upon the rights issue of VC becoming unconditional on 13 January 2009 for each of Mr. Li Ming Hung and Mr. Chen Tien Tui.

8. These Shares and VC Shares as the case may be were held by Madian Star Limited. Madian Star Limited is wholly-owned by Yonice Limited, the entire issued capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.

Save as disclosed above in this report, as at 31 March 2011, none of the Directors or the chief executives of the Company had any interest or short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	**Capacity/ nature of interest**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Sure Strategy Limited	Beneficial owner	315,200,000 Shares (L)	72.0%
Victory City Investments Limited	Beneficial owner	2,448,000 Shares (L)	0.6%
	Interest of controlled corporation	315,200,000 Shares (L) (Note 2)	72.0%
VC (Note 3)	Interest of controlled corporation	317,648,000 Shares (L)	72.5%
Merlotte Enterprise Limited	Beneficial owner	2,352,000 Shares (L)	0.5%
	Interest of controlled corporation	315,200,000 Shares (L) (Note 2)	72.0%
Ms. Chan Lai Fan (Note 4)	Interest of spouse	317,552,000 Shares (L)	72.5%
Mr. Ng Tsze Lun	Beneficial owner	58,832,360 Shares (L)	13.4%
	Interest of spouse	116,000 Shares (L)	0.03%
Ms. Yau Yuk Chun Carole (Note 5)	Beneficial owner	116,000 Shares (L)	0.03%
	Interest of spouse	58,832,360 Shares (L)	13.4%

Notes:

1. The letter "L" denotes the person's or corporation's long position in the Shares of the Company.

2. These Shares were held by Sure Strategy Limited, which was owned as to 51% by Victory City investments Limited and 49% by Merlotte Enterprise Limited.

3. Victory City Investments Limited was wholly-owned by VC.

4. Ms. Chan Lai Fan is the wife of Mr. Choi Lin Hung.

5. Ms. Yau Yuk Chun Carole is the wife of Mr. Ng Tsze Lun.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2011, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of members of the Group other than the Company, or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010 which became effective upon the Company's shares were listed on the Stock Exchange on 5 October 2010. The purpose of this Share Option Scheme is to provide incentives and rewards to the eligible participants for their contributions to the Group. Details of the Share Option Scheme are set out in Note 32 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OF DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" in this report, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENT POLICY

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

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

The Company has also adopted the Share Option Scheme as an incentive to directors and eligible employees ("Eligible Employees") of the Group.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company for the year ended 31 March 2011.

CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 32 to the consolidated financial statements in respect of the Share Option Scheme, there is no contract of significance subsisted for the year ended 31 March 2011 in which a Director is or was materially interested, either directly or indirectly. And there is no contract of significance for the provision of services to the Group by its controlling shareholder subsisted for the year ended 31 March 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, sales to the five largest customers accounted for 48% of the total revenue of the Group and sales to the largest customer included therein accounted for 14%.

Purchase from the Group's five largest suppliers accounted for 39% of the total purchase for the year. The Group's largest supplier for the year is Kimberley. Our purchase from Kimberley accounted for 12% of the total purchase for the year. Kimberley is wholly-owned by a Director Mr. Lau Kwok Wa, Stanley and his associate ("Associate" within the meaning as defined in the Listing Rules). One of our five largest suppliers is VC Group. VC is the Company's ultimate holding company, the shares of which are listed on the Main Board of the Stock Exchange. Details of our purchase with Kimberley and VC Group during the year are set out in Note 36 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Save as disclosed above, none of the Directors or any of their Associates or any shareholders who own more than five per cent of the issued share capital of the Company had any interest in the Group's five largest customers and suppliers during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float since its shares were listed on the Stock Exchange on 5 October 2010.

DONATIONS

During the year, the Group made charitable donations of HK$1,000,000.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in Note 37 to the consolidated financial statements.

AUDITORS

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

On behalf of the Board

Choi Lin Hung
Chairman

Hong Kong
28 June 2011

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in the CG Code and regularly reviews its corporate governance practices to ensure compliance with the CG Code. In the opinion of the Directors, the Company had complied with all the code provisions as set out in the CG Code for the year ended 31 March 2011, except for the deviation in respect of the separation of the roles of chairman and chief executive officer. Considered reasons are provided in the section of Chairman and Chief Executive Officer in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct ("Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 March 2011.

BOARD OF DIRECTORS

The Board currently comprises executive Directors, Mr. Choi Lin Hung (chairman and chief executive officer), Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On, non-executive Directors, Mr. Chen Tien Tui and Mr. Li Ming Hung, and independent non-executive Directors, Mr. Lau Chi Kit, Mr. Mak Chi Yan, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei. The biographical details of the Directors are set out on pages 10 to 13 in this report for the year ended 31 March 2011. All Directors are subject to retirement by rotation and being eligible, offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. Since the Listing Date and up to the date of this report, the Board has convened three regular meetings with full attendance by its members and conducted the following activities:

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

(b) reviewed and approved corporate strategies of the Group for the financial year ending 31 March 2012; and

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

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

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Choi Lin Hung. Since the Directors meets regularly to consider major matters affecting the operations of the Company, the Directors considers that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believes that this structure will enable the Company to make and implement decisions promptly and efficiently.

Non-executive Directors and Independent non-executive Directors

Both non-executive Directors and independent non-executive Directors have contracts with the Company for a specified period of two years and are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws and the CG Code.

Each independent non-executive Director has made an annual confirmation of independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

NOMINATION OF DIRECTORS

The Board has not set up a Nomination Committee. The nomination of new directors has been delegated to the chairman and other executive Directors. They review regularly the need to appoint additional directors with appropriate professional knowledge and industry experience. The Board will then consider the appointment of the candidates nominated by them as directors of the Company. The chairman and other executive Directors have not held any meeting for this purpose since the Listing Date and up to the date of this report as the Company has not appointed any new director during the period.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises four independent non-executive Directors namely Mr. Mak Chi Yan (chairman), Mr. Lau Chi Kit, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei, and one executive Director namely Mr. Choi Lin Hung. It was established by the Board on 8 September 2010 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Remuneration Committee meets annually to review the remuneration policies and packages for Directors and senior management of the Company. No director takes part in any discussions and decisions about his own remuneration. From the Listing Date and up to the date of this report, the Remuneration Committee has convened one meeting with full attendance by its members and conducted the following activities:

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

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

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

Audit services of approximately HK$1,225,000 for the Group; Non-audit services of approximately HK$3,888,000 including:

– reporting accountant in relation to the Group's global offering;

– review of interim results;

– taxation services for the Group;

– review on the Group's continuing connected transaction; and

– agreed-upon procedures on the Group's annual results announcement.

AUDIT COMMITTEE

The Audit Committee currently comprises four independent non-executive Directors namely Mr. Yuen Kin Kei (chairman), Mr. Lau Chi Kit, Mr. Mak Chi Yan, and Mr. Wong Wai Kit, Louis. It was established by the Board on 8 September 2010 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

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

From the Listing Date and up to the date of this report, the Audit Committee has convened two meetings and conducted the following activities:

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

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

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

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

Details of attendance of each member of the Audit Committee since the Listing Date up to the date of this report are as follows:

	Attendance
Independent Non-executive Directors	
Mr. Yuen Kin Kei *(chairman)*	2/2
Mr. Lau Chi Kit	2/2
Mr. Mak Chi Yan	2/2
Mr. Wong Wai Kit, Louis	1/2

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF FORD GLORY GROUP HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ford Glory Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 80, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	8	**902,878**	894,351
Cost of sales		**(748,836)**	(736,362)
Gross profit		**154,042**	157,989
Other income		**4,015**	3,502
Other gains and losses	10	**3,285**	656
Selling and distribution costs		**(17,550)**	(15,465)
Administrative expenses		**(89,547)**	(96,469)
Listing expenses		**(13,110)**	–
Share-based payment	32	**(8,179)**	–
Interest on bank borrowings wholly repayable within five years		**(1,711)**	(2,253)
Profit before tax		**31,245**	47,960
Income tax expense	11	**(10,053)**	(7,115)
Profit for the year	12	**21,192**	40,845
Other comprehensive income			
Exchange difference arising on translation to presentation currency		**2,396**	(195)
Total comprehensive income for the year		**23,588**	40,650
Profit for the year attributable to:			
Owners of the Company		**17,225**	35,480
Non-controlling interests		**3,967**	5,365
		21,192	40,845
Total comprehensive income attributable to:			
Owners of the Company		**19,621**	35,285
Non-controlling interests		**3,967**	5,365
		23,588	40,650
Earnings per share	14		
Basic		**HK4.6 cents**	HK11.1 cents
Diluted		**HK4.5 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	15	**105,313**	108,611	109,463
Prepaid lease payments	16	**3,609**	3,497	–
Goodwill	17	**5,541**	5,541	5,541
Intangible asset	18	**1,000**	–	–
Interest in a jointly controlled entity	19	**–**	–	–
Deferred tax assets	31	**1,518**	–	–
Deposit paid for acquisition of property, plant and equipment		**–**	–	1,020
		116,981	117,649	116,024
Current assets				
Inventories	20	**107,505**	56,436	62,149
Trade and bills receivables	21	**111,908**	124,503	124,668
Deposits, prepayments and other receivables	22	**84,103**	22,633	19,437
Amounts due from related companies	23	**–**	27,866	121,557
Prepaid lease payments	16	**95**	90	–
Derivative financial instruments	29	**856**	–	494
Tax recoverable		**–**	–	2,205
Bank balances and cash	24	**136,089**	128,404	161,230
		440,556	359,932	491,740
Assets held for sale	25	**–**	28,118	–
		440,556	388,050	491,740
Current liabilities				
Trade payables	26	**62,823**	95,882	95,720
Other payables and accruals	27	**26,081**	26,815	21,145
Amounts due to related companies	23	**1,282**	27,960	50,165
Bank borrowings	28	**127,364**	86,886	171,235
Tax payable		**12,149**	8,537	2,284
Derivative financial instruments		**–**	–	170
		229,699	246,080	340,719
Liabilities associated with assets held for sale	25	**–**	22,282	–
		229,699	268,362	340,719
Net current assets		**210,857**	119,688	151,021
Total assets less current liabilities		**327,838**	237,337	267,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	**31.3.2011 HK$'000**	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Capital and reserves				
Share capital	30	**4,380**	–	–
Reserves		**310,884**	229,743	243,497
Equity attributable to owners of the Company		**315,264**	229,743	243,497
Non-controlling interests		**11,340**	6,875	23,108
Total equity		**326,604**	236,618	266,605
Non-current liability				
Deferred tax liability	31	**1,234**	719	440
		327,838	237,337	267,045

The financial statements on pages 27 to 80 were approved and authorised for issue by the Board of Directors on 28 June 2011 and are signed on its behalf by:

Choi Lin Hung	**Ng Tze On**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Special reserve HK$'000	Share option reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As 1 April 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 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)
Payments to VC (note ii)	–	–	(48,000)	–	–	–	(48,000)	–	(48,000)
Dividend recognised as distribution (Note 13)	–	–	–	–	–	(3,000)	(3,000)	–	(3,000)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(637)	(637)
At 31 March 2010	–	4,999	(46,039)	–	2,030	268,753	229,743	6,875	236,618
Profit for the year	–	–	–	–	–	17,225	17,225	3,967	21,192
Exchange difference arising on translation to presentation currency	–	–	–	–	2,396	–	2,396	–	2,396
Total comprehensive income for the year	–	–	–	–	2,396	17,225	19,621	3,967	23,588
Share issued	20	–	–	–	–	–	20	–	20
Issue of shares by capitalisation of share premium account	3,180	(3,180)	–	–	–	–	–	–	–
Issue of shares at premium through initial public offering	1,180	69,620	–	–	–	–	70,800	–	70,800
Transaction costs attributable to issue of shares	–	(6,813)	–	–	–	–	(6,813)	–	(6,813)
Special dividends (Note 13)	–	–	–	–	–	(30,000)	(30,000)	–	(30,000)
Arising upon completion of Rocwide Restructuring (Note 2)	–	–	23,714	–	–	–	23,714	–	23,714
Recognition of equity-settled share based payments	–	–	–	8,179	–	–	8,179	–	8,179
Release of equity-settled share based payments upon cancellation of option	–	–	–	(127)	–	127	–	–	–
Capital contribution by a non-controlling interest	–	–	–	–	–	–	–	498	498
At 31 March 2011	**4,380**	**64,626**	**(22,325)**	**8,052**	**4,426**	**256,105**	**315,264**	**11,340**	**326,604**

notes:

(i) The adjustment relates to the acquisition of 40% equity interest in Jiangmen V-Apparel Manufacturing Ltd. ("Jiangmen Factory") (see Note 2 for details).

(ii) This represents payments made to VC pursuant to the Rocwide Restructuring (see Notes 2 and 33 for details).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**31,245**	47,960
Adjustments for:		
Depreciation of property, plant and equipment	**15,363**	13,762
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	**(508)**	8
Gain on fair value changes of derivative financial instruments	**(856)**	(183)
Interest income	**(96)**	(410)
Interest on bank borrowings	**1,711**	2,253
Impairment losses recognised on receivables	**–**	783
Recognition of equity-settled share based payments	**8,179**	–
Release of prepaid lease payments	**92**	45
Operating cash flows before working capital changes	**55,130**	64,218
(Increase) decrease in inventories	**(51,024)**	6,017
Decrease in trade and bills receivables	**12,724**	579
Increase in deposits, prepayments and other receivables	**(61,450)**	(3,196)
Decrease in trade payables	**(35,059)**	(1,010)
(Decrease) increase in other payables and accruals	**(638)**	5,670
Decrease in amounts due to related companies – trade	**(762)**	(9,923)
Increase in derivative financial instruments	**–**	507
Cash (used in) generated from operations	**(81,079)**	62,862
Interest paid on bank borrowings	**(1,711)**	(2,253)
Profits Tax (paid) refund	**(7,480)**	1,622
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(90,270)**	62,231
INVESTING ACTIVITIES		
Repayment from related companies – non-trade	**27,866**	50,346
Proceeds from disposal of property, plant and equipment and leasehold land	**25,915**	3,315
Interest received	**96**	410
Purchase of property, plant and equipment	**(9,119)**	(40,549)
Purchase of intangible asset	**(502)**	–
Advance to related companies – non-trade	**–**	(4,655)
Purchase of prepaid lease payments	**–**	(3,631)
NET CASH FROM INVESTING ACTIVITIES	**44,256**	5,236

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (Restated)
FINANCING ACTIVITIES		
Dividend paid	**(30,000)**	(3,637)
Repayment of mortgage loans	**(20,618)**	(2,357)
Expenses on issue of shares	**(6,813)**	–
Repayment to related companies – non trade	**(2,202)**	(91,400)
Proceeds from issue of shares	**70,800**	–
Net trust receipts loans raised (repaid)	**41,714**	(62,610)
Acquisition of additional interest in a subsidiary	**–**	(19,000)
Advance from related companies – non-trade	**–**	79,118
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**52,881**	(99,886)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,867**	(32,419)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**128,404**	161,230
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**818**	(407)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**136,089**	128,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on the Stock Exchange. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal 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 Company and its subsidiaries are 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 Sure Strategy Limited, a company incorporated in the British Virgin Islands ("BVI") as an exempted company with limited liability. For the purpose of these financial statements, 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 US$. The consolidated financial statements are presented in HK$ because the Company's shares are listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATION FINANCIAL STATEMENTS

Pursuant to the group reorganisation (the "Reorganisation") as explained in the section headed "Reorganisation" in the prospectus dated 17 September 2010 issued by the Company in connection with the global offering of its shares on the Main Board of the Stock Exchange (the "Prospectus"), which was completed on 8 September 2010 by principally interspersing the Company between FG Holdings and its shareholders, the Company became the holding company of the Group.

The Group was controlled by VC before and after the Reorganisation. Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group. The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 March 2010 and 31 March 2011 have been prepared as if the current group structure had been in existence throughout the years ended 31 March 2010 and 31 March 2011 or since the respective dates of incorporation/establishment of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 1 April 2009, 31 March 2010 and 31 March 2011 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 V-Apparel Manufacturing Ltd. ("Jiangmen Factory") through its wholly-owned subsidiary, Rocwide Limited ("Rocwide"). On 19 November 2009, the Group acquired the 40% interest in Jiangmen Factory not already owned by VC from independent third parties. On 7 April 2010, the Group obtained ownership of the entire equity interest in Rocwide from VC ("Rocwide Restructuring"). At the same time, 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 since 2006 until 18 November 2009 and as a wholly-owned subsidiary thereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

New and revised Standards and Interpretations applied in the current year

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of approximately HK$28,622,000 and HK$13,923,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment, and release of prepaid lease payments of approximately HK$747,000 for the year ended 31 March 2010 being reclassified to depreciation of property, plant and equipment.

As at 31 March 2011, leasehold land that qualifies for finance lease classification with the carrying amount of approximately HK$13,550,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with an aggregate carrying amounts of approximately HK$39,820,000 and HK$19,185,000 have been reclassified from non-current liabilities to current liabilities as at 1 April 2009 and 31 March 2010 respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with an aggregate carrying amount of approximately HK$17,922,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see Note 7 for details).

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 April 2009 and 31 March 2010 are as follows:

	As at 1.4.2009 (originally stated) HK$'000	Adjustments HK$'000	As at 1.4.2009 (restated) HK$'000	As at 31.3.2010 (originally stated) HK$'000	Adjustments HK$'000	As at 31.3.2010 (restated) HK$'000
Property, plant and equipment	80,841	28,622	109,463	94,688	13,923	108,611
Prepaid lease payment	28,622	(28,622)	–	17,510	(13,923)	3,587
Borrowings – current	131,415	39,820	171,235	67,701	19,185	86,886
Borrowings – non-current	39,820	(39,820)	–	19,185	(19,185)	–
Total effects on net assets	280,698	–	280,698	199,084	–	199,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurements[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 April 2013, with earlier application permitted.

The directors of the Company anticipate that the application of HKFRS 9 and the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group for the current and prior accounting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations that took place on or after 1 April 2010

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

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

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

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

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 April 2010 (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i. e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 April 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree. Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements 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 consolidated using the existing book values from the controlling party's 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 consolidated statement 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.

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

When a group entity transacts with 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset

Intangible asset acquired separately

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

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

Revenue recognition

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

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including 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 any accumulated impairment losses, if any.

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 profit or loss in the period in which the item is derecognised.

Non-current assets classified as held for sale

Non-current assets are classified 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

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

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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 consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

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

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognised 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.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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 periods. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment loss of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of 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. At 31 March 2011, the carrying amount of trade and bills receivables was approximately HK$111,908,000 (2010: HK$124,503,000) (net of allowance for doubtful debts of approximately HK$848,000 (2010: HK$1,445,000)).

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. At 31 March 2011, the carrying amount of inventories was approximately HK$107,505,000 (2010: HK$56,436,000).

Income taxes

As at 31 March 2011, deferred tax asset in relation to unused tax losses of approximately HK$26,924,000 (2010: HK$27,948,000) was not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**249,916**	291,089
Derivative financial instruments	**856**	–
Financial liabilities		
Amortised cost	**191,984**	230,110

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

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to risk due to changes in foreign exchange rates. The Group entered structured currency forward contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB against US$, which is the functional currency of the relevant group entities.

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

	Liabilities		Assets	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
HK$	**74,060**	125,644	**36,246**	61,030
RMB	**2**	–	**6,595**	–
Pound Sterling ("GBP")	**–**	–	**7,249**	13,021
Canadian Dollar ("CAD")	**–**	–	**87**	4,253
Euro Dollar ("EURO")	**–**	–	**45**	1,044

Sensitivity analysis

As HK$ is pegged to US$, the Group's currency risk in relation to its monetary assets/liabilities denominated in HK$ is not expected to be significant.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% increase and decrease in US$ against RMB, 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 RMB, GBP, CAD and EURO against US$ will give rise to exchange gain as follow, and vice versa.

	2011	2010
	HK$'000	HK$'000
Increase in profit	**583**	765

For the outstanding structured currency forward contracts, if US$ was strengthened against RMB by 5%, the profit for the year ended 31 March 2011 would decrease by approximately HK$7,186,000.

These structured currency forward contracts contain knock out features. Because of the knock out features in the contracts, the potential gain on a weakening of US$ against RMB by 5% will be 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 both years 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 the year ended 31 March 2011 would decrease/increase by approximately HK$532,000 (2010: HK$444,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

As at 31 March 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade payables	**–**	**18,662**	**44,161**	**–**	**–**	**62,823**	**62,823**
Other payables	**–**	**50**	**–**	**465**	**–**	**515**	**515**
Amounts due to related companies	**–**	**1,282**	**–**	**–**	**–**	**1,282**	**1,282**
Bank borrowings	**1.68**	**66,528**	**41,690**	**21,913**	**–**	**130,131**	**127,364**
		86,522	**85,851**	**22,378**	**–**	**194,751**	**191,984**

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade payables	–	45,336	50,546	–	–	95,882	95,882
Amounts due to related companies	–	27,960	–	–	–	27,960	27,960
Bank borrowings (restated)	2.19	48,108	64,155	–	–	112,263	106,268
		121,404	114,701	–	–	236,105	230,110

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2011 and 31 March 2010, the aggregate outstanding principal amounts of these bank borrowings amounted to approximately HK$19,194,000 and HK$20,430,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be fully repaid within four years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$21,531,000 (2010: HK$22,752,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

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

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

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

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

Fair value measurement recognised in the consolidated statement 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 the reporting period, all the Group's derivative financial instruments measured at fair value as set out in Note 29 fell within the Level 3 category.

Reconciliation of Level 3 fair value measurement of financial assets

	Structured currency forward contracts HK$'000
At 1 April 2009 and 31 March 2010	–
Fair value gain credited to profit or loss	856
At 31 March 2011	**856**

The total gains of approximately HK$856,000 for the year included in profit or loss represent the total fair value gain relates to structured currency forward contracts held at the end of the reporting period (2010: Nil) that are included in "Other gains and losses".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. REVENUE

The Group's revenue represents the amounts received and receivables for trading and manufacturing of garment products and provision of quality inspection services, less returns and allowances. It is analysed as follows:

	2011	2010
	HK$'000	HK$'000
Production and sale of garment products	**900,071**	883,968
Provision of quality inspection services	**2,807**	10,383
	902,878	894,351

9. SEGMENT INFORMATION

At the end of the reporting period, the Group's operating segments based on the information reported to the chief operating decision makers (i.e. executive directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

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

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

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

Year ended 31 March 2011

	Segment A	**Segment B**	**Segment total**	**Eliminations**	**Consolidated total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
REVENUE					
External sales	**810,077**	**92,801**	**902,878**	**–**	**902,878**
Inter-segment sales	**750**	**222,776**	**223,526**	**(223,526)**	**–**
Total	**810,827**	**315,577**	**1,126,404**	**(223,526)**	**902,878**
RESULTS					
Segment results	**46,627**	**10,631**	**57,258**		**57,258**
Unallocated income					**3,322**
Unallocated expenses					**(27,624)**
Interest expense					**(1,711)**
Profit before tax					**31,245**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. SEGMENT INFORMATION (continued)

Year ended 31 March 2010

	Segment A HK$'000	Segment B HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	832,962	61,389	894,351	–	894,351
Inter-segment sales	–	199,681	199,681	(199,681)	–
Total	832,962	261,070	1,094,032	(199,681)	894,351
RESULTS					
Segment results	44,842	4,792	49,634		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 gain (loss) on disposal of property, plant and equipment and prepaid lease payments, rental income, gain on fair value changes of derivative financial instruments, central administration costs and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market rate.

Segment assets and liabilities

At 31 March 2011

	Segment A HK$'000	**Segment B HK$'000**	**Consolidated total HK$'000**
ASSETS			
Segment assets	**202,139**	**213,433**	**415,572**
Unallocated assets			**141,965**
Consolidated total assets			**557,537**
LIABILITIES			
Segment liabilities	**52,774**	**37,051**	**89,825**
Unallocated liabilities			**141,108**
Consolidated total liabilities			**230,933**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

At 31 March 2010

	Segment A HK$'000	Segment B HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	176,955	172,222	349,177
Unallocated assets			128,404
Assets held for sale			28,118
Consolidated total assets			505,699
LIABILITIES			
Segment liabilities	88,894	61,763	150,657
Unallocated liabilities			96,142
Liabilities associated with assets held for sale			22,282
Consolidated 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, deferred tax assets, assets held for sale, corporate assets and assets of non-core businesses are allocated to operating segments; and

- all liabilities other than current and deferred tax liabilities, bank borrowings, liabilities associated with assets classified as held for sale, corporate liabilities and liabilities of non-core businesses are allocated to operating segments.

Other segment information

At 31 March 2011

	Segment A HK$'000	**Segment B HK$'000**	**Segment total HK$'000**	**Unallocated HK$'000**	**Consolidated total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets (note)	**4,168**	**5,867**	**10,035**	**84**	**10,119**
Depreciation	**2,980**	**9,708**	**12,688**	**2,675**	**15,363**
Release of prepaid lease payment	**–**	**92**	**92**	**–**	**92**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. SEGMENT INFORMATION (continued)

Other segment information (continued)

At 31 March 2010 (restated)

	Segment A HK$'000	Segment B HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets (note)	3,973	40,207	44,180	–	44,180
Depreciation (restated)	2,835	10,927	13,762	–	13,762
Impairment losses recognised on receivables	808	–	808	–	808
Reversal of impairment loss on receivables	25	–	25	–	25
Release of prepaid lease payments (restated)	–	45	45	–	45

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

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

Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000 (restated)
Hong Kong	**8,972**	15,263	**34,892**	34,673
PRC	**104,215**	95,356	**66,908**	65,448
USA	**502,586**	513,484	**102**	231
Canada	**141,160**	148,815	**–**	–
Others	**145,945**	121,433	**13,561**	17,297
	902,878	894,351	**115,463**	117,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. SEGMENT INFORMATION (continued)

Information about major customers

Revenue from customers contributing to over 10% of the Group's total annual revenue are as follows:

	notes	**2011 HK$'000**	2010 HK$'000
Customer A		**126,825**	118,631
Customer B		**110,022**	90,378
Customer C	(i)	**90,636**	13.515
Customer D	(ii)	**34,440**	137,203

Revenue from the above customers all fall under Segment A.

notes:

(i) Revenue from this customer for the year ended 31 March 2010 contributed less than 10% of the Group's total revenue.

(ii) Revenue from this customer for the year ended 31 March 2011 contributed less than 10% of the Group's total revenue.

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 GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Gain on fair value changes of derivative financial instruments	**856**	183
Gain (loss) on disposal of property, plant and equipment and leasehold land	**508**	(8)
Net foreign exchange gains	**1,921**	1,264
Impairment losses recognised on receivables	**–**	(783)
	3,285	656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
– current year	7,380	4,952
– overprovision in respect of prior years	(255)	(95)
	7,125	4,857
Enterprise income tax in the PRC attributable to subsidiaries	3,866	1,753
Overseas income tax		
– current year	151	226
– overprovision in respect of prior years	(86)	–
	65	226
Deferred taxation (Note 31)	(1,003)	279
	10,053	7,115

Hong Kong

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

PRC

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "EIT 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 EIT Law (the "Implementation Regulations"). Under the EIT Law and Implementation Regulations, the statutory tax rate of 25% was effective from 1 January 2008.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. INCOME TAX EXPENSE (continued)

Other jurisdictions

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

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

	2011 **HK$'000**	2010 HK$'000
Profit before tax	**31,245**	47,960
Tax at the domestic income tax rate of 16.5%	**5,155**	7,913
Tax effect of expenses that are not deductible for tax purpose	**4,157**	591
Tax effect of income not taxable for tax purpose	**(430)**	(666)
Tax effect of utilisation of tax losses previously not recognised	**(360)**	(284)
Tax effect of tax losses not recognised	**191**	145
Income tax on concessionary rate and tax exemption	**–**	(1,296)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,104**	572
Overprovision in respect of prior years	**(341)**	(95)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**577**	235
Tax charge for the year	**10,053**	7,115

Details of deferred taxation are set out in Note 31.

12. PROFIT FOR THE YEAR

	2011 **HK$'000**	2010 HK$'000 (Restated)
Profit for the year has been arrived at after charging:		
Directors' remuneration (note (i))	**4,945**	1,030
Other staff costs	**103,200**	91,659
Total staff costs	**108,145**	92,689
Auditor's remuneration	**1,253**	906
Depreciation of property, plant and equipment	**15,363**	13,762
Release of prepaid lease payments	**92**	45
and after crediting:		
Bank interest income	**96**	410

Included in the other staff costs is an aggregate amount of approximately HK$3,578,000 (2010: HK$4,951,000) in respect of contributions of retirement benefits schemes made by the Group (note (ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

12. PROFIT FOR THE YEAR (continued)

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

notes:

(i) Information regarding directors' and employees' emoluments

Directors

The emoluments paid or payable to each of the nine directors were as follows:

	Choi Lin Hung	Lau Kwok Wa, Stanley	Ng Tze On	Chen Tien Tui	Li Ming Hung	Lau Chi Kit	Mak Chi Yan	Wong Wai Kit, Louis	Yuen Kin Kei	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011										
Fees	**–**	**–**	**–**	**–**	**–**	**101**	**101**	**101**	**101**	**404**
Salaries and other benefits	**1,195**	**667**	**565**	**–**	**–**	**–**	**–**	**–**	**–**	**2,427**
Performance related incentive payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Contribution to retirement benefits scheme	**12**	**12**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24**
Equity-settled share based payment expenses	**–**	**1,045**	**1,045**	**–**	**–**	**–**	**–**	**–**	**–**	**2,090**
Total emoluments	**1,207**	**1,724**	**1,610**	**–**	**–**	**101**	**101**	**101**	**101**	**4,945**
2010										
Fees	–	–	–	–	–	–	–	–	–	–
Salaries and other benefits	1,018	–	–	–	–	–	–	–	–	1,018
Performance related incentive payments	–	–	–	–	–	–	–	–	–	–
Contribution to retirement benefits scheme	12	–	–	–	–	–	–	–	–	12
Total emoluments	1,030	–	–	–	–	–	–	–	–	1,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

12. PROFIT FOR THE YEAR (continued)

notes: (continued)

(i) Information regarding directors' and employees' emoluments (continued)

Employees

The five highest paid individuals of the Group for both years included three (2010: one) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2010: four) individuals of the Group, not being directors of the Company, are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	1,374	3,235
Performance related incentive payments	–	–
Contributions to retirement benefits scheme	24	36
Equity-settled share based payment expense	4,255	–
	5,653	3,271

Their emoluments were within the following bands:

	2011	2010
HK$nil to HK$1,000,000	1	4
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	–
HK$4,500,001 to HK$5,000,000	1	–

During each of the two years ended 31 March 2011, (i) no emoluments were paid by the Group to the directors or the five highest paid individuals as are inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the directors has waived or agreed to waive any emoluments.

(ii) Retirement benefits scheme contributions

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

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

As at 31 March 2011 and 2010, there were no forfeited contributions available to offset future employers' contributions to the scheme.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. DIVIDEND

No dividend was paid or proposed by the Company for the year ended 31 March 2011, nor has any dividend been proposed by the Company since the end of the reporting period (2010: Nil).

However, with a resolution in writing by the shareholders of FG Holdings passed on 6 September 2010, FG Holdings declared and paid a special dividend of HK$30,000,000 to its then existing shareholders. During the year ended 31 March 2010, FG Holdings declared and paid an interim dividend of HK$3,000,000.

14. EARNINGS PER SHARE

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

	2011 **HK$'000**	2010 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**17,225**	35,480
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**377,222**	320,000
Effect of dilutive potential ordinary shares in respect of share options	**6,010**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**383,232**	320,000

The number of ordinary shares for calculating basic earnings per share for the year ended 31 March 2010 has been retrospectively adjusted for the issuance of 318,000,000 shares pursuant to a capitalisation issue as detailed in Note 30.

No diluted earnings per share are presented for the year ended 31 March 2010 as there were no potential ordinary shares in issue during that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST						
At 1 April 2009 (originally stated)	33,842	17,901	13,873	4,005	60,302	129,923
Effect of change in accounting policy (Note 3)	28,778	–	–	–	–	28,778
At 1 April 2009 (restated)	62,620	17,901	13,873	4,005	60,302	158,701
Exchange realignment	7	(29)	(36)	(12)	(105)	(175)
Additions	29,873	1,434	3,469	1,355	5,438	41,569
Transfer to assets held for sale (Note 25) (restated)	(28,360)	–	(210)	–	–	(28,570)
Disposals	–	(1,650)	(1,513)	(1,015)	(1,686)	(5,864)
At 31 March 2010 (restated)	64,140	17,656	15,583	4,333	63,949	165,661
Exchange realignment	1,765	354	443	88	1,882	4,532
Additions	–	1,414	1,128	1,587	4,990	9,119
Disposals	–	(645)	(95)	(433)	(376)	(1,549)
At 31 March 2011	**65,905**	**18,779**	**17,059**	**5,575**	**70,445**	**177,763**
DEPRECIATION						
At 1 April 2009 (originally stated)	675	9,797	6,460	2,635	29,515	49,082
Effect of change in accounting policy (Note 3)	156	–	–	–	–	156
At 1 April 2009 (restated)	831	9,797	6,460	2,635	29,515	49,238
Exchange realignment	1	(10)	(12)	(5)	(31)	(57)
Provided for the year (restated)	1,700	2,354	2,142	545	7,021	13,762
Eliminated on disposals	–	(1,525)	(1,323)	(986)	(1,607)	(5,441)
Transfer to assets held for sale (Note 25) (restated)	(452)	–	–	–	–	(452)
At 31 March 2010 (restated)	2,080	10,616	7,267	2,189	34,898	57,050
Exchange realignment	74	232	235	23	737	1,301
Provided for the year	2,610	2,277	2,220	802	7,454	15,363
Eliminated on disposals	–	(525)	(95)	(375)	(269)	(1,264)
At 31 March 2011	**4,764**	**12,600**	**9,627**	**2,639**	**42,820**	**72,450**
CARRYING VALUE						
At 31 March 2011	**61,141**	**6,179**	**7,432**	**2,936**	**27,625**	**105,313**
At 31 March 2010 (restated)	62,060	7,040	8,316	2,144	29,051	108,611
At 1 April 2009 (restated)	61,789	8,104	7,413	1,370	30,787	109,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and buildings	4% per annum or over the shorter of the term of the lease
Furniture, fixtures and equipment	15% – 25%
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%

The Group's leasehold land and buildings comprise:

	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Buildings and leasehold land with medium-term lease located in:			
– Hong Kong	**28,731**	29,746	58,615
– PRC	**29,687**	29,359	–
– Jordan	**2,723**	2,955	3,174
	61,141	62,060	61,789

16. PREPAID LEASE PAYMENTS

	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Prepaid lease payments comprise:			
Leasehold land in the PRC:			
Medium-term lease	**3,704**	3,587	–
Analysed for reporting purposes as:			
Current asset	**95**	90	–
Non-current asset	**3,609**	3,497	–
	3,704	3,587	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

17. GOODWILL

	HK$'000
COST	
At 1 April 2009, 31 March 2010 and 31 March 2011	**5,541**

As explained in Note 9, the Group has two operating segments. For the purposes of impairment testing, goodwill was allocated to a CGU, which is the production and sale of garment products segment (i.e. segment B in Note 9). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2011 was allocated to this unit.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 4% (2010: 4%). The cash flows beyond the 5-year period are extrapolated using a steady 4% growth rate (2010: 4%). 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.

18. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2009 and 31 March 2010	–
Addition	1,000
At 31 March 2011	**1,000**

The intangible asset represents a trademark acquired for Segment A in Note 9. While the trademark has a registered life of 7 years, the Directors are of the opinion that it can be renewed at minimal cost upon expiration of its registration and practically has indefinite useful life. Accordingly, no amortisation is provided on the trademark while impairment testing will be performed on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2011 HK$'000	2010 HK$'000
Cost of unlisted investment in a jointly controlled entity	**1,340**	1,340
Share of post-acquisition loss	**(1,340)**	(1,340)
	–	–

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

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

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

20. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	**56,572**	12,924
Work in progress	**20,644**	26,243
Finished goods	**30,289**	17,269
	107,505	56,436

21. TRADE AND BILLS RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade and bills receivables	**112,756**	125,948
Less: allowance for doubtful debts	**(848)**	(1,445)
	111,908	124,503

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

21. TRADE AND BILLS RECEIVABLES (continued)

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

	2011 HK$'000	2010 HK$'000
0 – 30 days	57,261	72,007
31 – 60 days	35,139	41,804
61 – 90 days	16,555	9,192
91 – 120 days	1,081	851
Over 120 days	1,872	649
	111,908	124,503

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

	2011 HK$'000	2010 HK$'000
HK$	1,410	1,010
RMB	80	–
CAD	–	412

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

Included in the Group's trade receivable balance are debtors that were outstanding for more than 120 days with aggregate carrying amount of approximately HK$1,872,000 (2010: HK$649,000) which were past due at the reporting date but for which the Group has not provided for impairment loss.

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 internal assessment, taking into account the repayment history and financial background of the trade customers and has not identified any credit risk on these trade receivables.

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

As at 31 March 2011, the Group discounted certain bills receivables to banks with recourse. The Group continued to recognise the carrying amount of those receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2011, the carrying amount of bills receivables discounted with recourse was approximately HK$396,000 (2010: HK$2,142,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

21. TRADE AND BILLS RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	1,445	662
Impairment losses recognised on receivables	–	808
Reversal of impairment losses recognised on receivables	–	(25)
Amounts written off as uncollectible	(597)	–
Balance at end of the year	848	1,445

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

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Deposits paid for purchases of raw materials and garment products	76,947	6,882
Other deposits and prepayments	3,334	5,365
Others	3,822	10,386
	84,103	22,633

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Details of the balances with related companies are as follows:

			Maximum amount outstanding during the year ended 31 March	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Amounts due from fellow subsidiaries				
– non-trade (note (i) & (ii))	–	4,655	4,655	4,655
Amount due from ultimate holding company				
– non-trade (note (i) & (ii))	–	23,211	23,211	117,494
	–	27,866		
Amounts due to fellow subsidiaries				
– trade	1,179	2,044		
– non-trade (note (i) & (ii))	–	25,916		
Amount due to ultimate holding company				
– trade	103	–		
	1,282	27,960		

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For the year ended 31 March 2011

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES (continued)

notes:

(i) All the above balances are balances with the VC Group. They 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 year ended 31 March 2010. All non-trade balances were settled prior to the listing of the Company's shares on the Stock Exchange.

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

	2011 **HK$'000**	2010 HK$'000
Amounts due to fellow subsidiaries and ultimate holding company:		
– trade		
0 – 30 days	**1,241**	913
31 – 60 days	**34**	332
61 – 90 days	**7**	799
	1,282	2,044

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

	2011 **HK$'000**	2010 HK$'000
HK$		
Amounts due from fellow subsidiaries – non-trade	**–**	4,655
Amount due from ultimate holding company – non-trade	**–**	23,211
	–	27,866
HK$		
Amounts due to fellow subsidiaries – non-trade	**–**	23,714
Amounts due to fellow subsidiaries – trade	**69**	–
Amount due to ultimate holding company – trade	**103**	–
	172	23,714

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For the year ended 31 March 2011

24. BANK BALANCES AND CASH

These represent bank balances, cash and short-term bank deposits held by the Group. Bank balances carry interest at market rates ranging from 0.001% to 0.8% (2010: from 0.001% to 0.8%) per annum.

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

	2011	2010
	HK$'000	HK$'000
HK$	**34,836**	32,154
RMB	**6,515**	–
GBP	**7,249**	13,021
CAD	**87**	3,841
EURO	**45**	1,044

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

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

Accordingly, the relevant property interests were reclassified from property, plant and equipment with the carrying amount of approximately HK$28,118,000, to assets classified as held for sale in the consolidated 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 approximately HK$19,382,000 were classified as liabilities associated with assets classified as held for sale in the consolidated statement of financial position as at 31 March 2010.

The above disposal was completed in June 2010. Gain on disposal of approximately HK$508,000 was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

26. TRADE PAYABLES

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

	2011	2010
	HK$'000	HK$'000
0 – 60 days	**57,625**	85,914
61 – 90 days	**4,101**	7,630
Over 90 days	**1,097**	2,338
	62,823	95,882

The average credit period for purchase of goods 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 Group's trade payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011	2010
	HK$'000	HK$'000
HK$	**2,413**	6,652
RMB	**2**	–

27. OTHER PAYABLES AND ACCRUALS

	2011	2010
	HK$'000	HK$'000
Accruals for operating expenses	**25,256**	26,477
Receipts in advance	**310**	338
Others	**515**	–
	26,081	26,815

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28. BANK BORROWINGS

	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Bills discounted with recourse and debts factored with recourse	**396**	2,142	8,181
Import loans, export loans and trust receipts loans	**107,774**	64,314	120,885
Mortgage loans	**19,194**	39,812	42,169
Transfer to liabilities associated with assets classified as held for sale	**–**	(19,382)	–
	127,364	86,886	171,235
Analysed as:			
– secured	**36,089**	31,420	50,350
– unsecured	**91,275**	55,466	120,885
	127,364	86,886	171,235
Carrying amount of bank loans that do not contain repayable on demand clause and repayable*:			
Within one year	**108,170**	66,456	129,066
Carrying amount of bank loans that contain a repayable on demand clause and repayable*:			
Within one year	**1,272**	1,245	2,349
In more than one year but not more than two years	**1,307**	1,276	2,412
In more than two years but not more than three years	**1,342**	1,311	2,475
In more than three years but not more than four years	**1,378**	1,345	2,545
In more than four years	**13,895**	15,253	32,388
Sub-total (shown under current liabilities)	**19,194**	20,430	42,169
Total	**127,364**	86,886	171,235

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

All the Group's bank borrowings carry interest rates which fall within the range of HIBOR or LIBOR plus 0.85% to HIBOR plus 2.50% per annum (2010: HIBOR plus 0.75% to LIBOR plus 2.50% per annum). The range of effective interest rates of the Group's bank borrowings are 1.05% to 2.70% per annum (2010: 1.75% to 3.50% per annum).

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

	2011 HK$'000	2010 HK$'000
HK$	**71,475**	75,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

29. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives settled in net (not under hedge accounting):

	Assets	
	2011 **HK$'000**	2010 HK$'000
Structured currency forward contracts	**856**	–

During the year ended 31 March 2011, the Group entered into US$/RMB structured forward contracts which require the Group to sell US$ and to buy RMB monthly at exchange rates specified in the contracts ranging from 6.53 to 6.63. These contracts contain knock-out features that will automatically terminate the contracts in certain scenarios. As at 31 March 2011, the aggregate notional amount of the outstanding structured currency forward contracts were US$48,000,000. The maturity periods of these contracts range from 13 June 2011 to 13 May 2013.

The fair values of the structured currency forward contracts are determined by using the Monte Carlos Simulation Model.

30. SHARE CAPITAL

	notes	**Number of shares**	**Amount** HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
As at 3 March 2010 (date of incorporation) and 31 March 2010	(i)	1,000,000	10
Increase in authorised share capital	(ii)	899,000,000	8,990
As at 31 March 2011		**900,000,000**	**9,000**
Issued and fully paid:			
Issue of shares on 3 March 2010 (date of incorporation) and at 31 March 2010	(i)	3	–
Issue of shares	(iii)	1,999,997	20
Issue of shares by capitalisation of share premium account	(iv)	318,000,000	3,180
Issue of shares at premium through initial public offering	(v)	118,000,000	1,180
As at 31 March 2011		**438,000,000**	**4,380**

notes:

(i) The Company was incorporated on 3 March 2010 with the authorised share capital of HK$10,000 divided into 1,000,000 ordinary shares of HK$0.01 each. At the date of incorporation, 3 ordinary shares were allotted and issued for cash at par to the subscriber to provide the initial capital to the Company.

(ii) Pursuant to the written resolution of the shareholders of the Company on 8 September 2010, the authorised share capital of the Company was increased from HK$10,000 to HK$9,000,000 by the creation of an additional 899,000,000 ordinary shares of HK$0.01 each.

(iii) Pursuant to the written resolution of the Company's shareholders on 8 September 2010, the Company issued 1,999,997 ordinary shares of HK$0.01 each for cash at par to shareholders.

(iv) On 5 October 2010, the Company issued 318,000,000 ordinary shares of HK$0.01 each as fully paid to the then shareholders, by the capitalisation of an amount of HK$3,180,000 in the share premium of the Company.

(v) On 5 October 2010, the Company issued 118,000,000 ordinary shares of HK$0.01 each for cash at a price of HK$0.60 per share, totalling HK$70,800,000, pursuant to the Company's Prospectus.

The new shares rank pari passu with the then existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

31. DEFERRED TAXATION

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

	2011 **HK$'000**	2010 HK$'000
Deferred tax assets	**1,518**	–
Deferred tax liabilities	**(1,234)**	(719)
	284	(719)

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

	Accelerated tax and accounting depreciation HK$'000	**Tax losses** HK$'000	**Dividend withholding tax** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2009	(286)	–	(154)	–	(440)
Charge to profit or loss	(44)	–	(235)	–	(279)
At 31 March 2010	(330)	–	(389)	–	(719)
(Charge) credit to profit or loss	1,064	300	(577)	216	1,003
At 31 March 2011	**734**	**300**	**(966)**	**216**	**284**

At the end of the reporting period, the Group had unused tax losses of approximately HK$28,123,000 (2010: HK$27,948,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$1,199,000 (2010: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$26,924,000 (2010: HK$27,948,000) due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

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

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32. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme of the Company

Pursuant to a written resolution passed on 2 June 2010, the Company adopted the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentives to eligible participants including Eligible Employees. The Share Option Scheme will remain in force for a period of ten years from the date of adoption of the Share Option Scheme.

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

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

During the year ended 31 March 2011, the Company granted 41,900,000 share options to Eligible Employees of the Group. The exercise of these share options would entitle the Eligible Employees to subscribe for an aggregate of 41,900,000 shares of the Company. The exercise price per share is the price of initial public offering of shares of the Company and the share options are exercisable until 31 May 2020. The Share Option Scheme is conditional upon the listing of the Company's shares on the Stock Exchange and the Eligible Employees remaining employed by the Group. Subsequent to the grant, on 5 October 2010, the Company and all the Eligible Employees have agreed to impose a vesting period of two years and to revise the exercisable period of the options granted (the "Modification"). As this Modification that increases the vesting period is not beneficial to the Eligible Employees, the Company has only considered the vesting conditions imposed on grant date in determining the time period as to when the awards should be expensed in profit or loss (i.e. the share options are considered fully vested to the Eligible Employees upon listing for accounting purpose).

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For the year ended 31 March 2011

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme of the Company (continued)

The following table discloses movements in the Company's share options during the year:

					Number of share options					
Category	Date of grant	Modified vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.4.2009 and 31.`3.2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.3.2011
Directors										
Mr. Lau Kwok Wa, Stanley	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	5,350,000	–	–	–	**5,350,000**
Mr. Ng Tze On	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	5,350,000	–	–	–	**5,350,000**
Employees										
Mr. Ng Tsze Lun (note i)	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	21,000,000	–	–	–	**21,000,000**
Other employees (note ii)	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	10,200,000	–	–	(650,000)	**9,550,000**
					–	41,900,000	–	–	(650,000)	**41,250,000**
Exercisable at the end of the year										**-**

notes:

i. Mr. Ng Tsze Lun is the marketing director of Ford Glory International Limited, a wholly-owned subsidiary of the Company, who was granted 21,000,000 options which exceeded the individual limit as set out in note to Rule 17.03(4) of the Listing Rules.

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

The estimated fair value of each share option at the date of grant is HK$0.1952 per option. The fair value was calculated using the Binomial Option Pricing model as of the date of grant without taking into account the Modification. The assumptions used for the calculation are as follows:

Estimated share price at date of grant	HK$0.6
Exercise price	HK$0.6
Suboptimal exercise factor	1.8
Expected volatility	50%
Expected life	9.8 years
Expected dividend yield	5.6%
Risk free rate	1.93%

The variables and assumptions used above were based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

During the year, the Group recognised total expense of approximately HK$8,179,000 (2010: Nil) in relation to the 41,900,000 share options granted by the Company.

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For the year ended 31 March 2011

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2010, payments of HK$48,000,000 that was paid through settlement of the current account with a subsidiary of VC pursuant to the Rocwide Restructuring was recognised in the consolidated statement of changes in equity.

34. PLEDGE OF ASSETS

As at 31 March 2011, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2011 **HK$'000**	2010 HK$'000 (Restated)
Property, plant and equipment	**28,732**	29,747
Assets classified as held for sale		
– property, plant and equipment	**–**	28,118
	28,732	57,865

35. COMMITMENTS

(i) Capital commitments

	2011 **HK$'000**	2010 HK$'000
Capital expenditure contracted for but not provided in the consolidated statement of financial position in respect of:		
– Acquisition of property, plant and equipment	**3,823**	–
– Capital injection to wholly-owned subsidiaries,		
Ford Glory (Shenzhen) International Ltd.	**2,000**	2,000
Teelocker Limited	**4,250**	–

(ii) Operating lease commitments

The Group as lessee

	2011 **HK$'000**	2010 HK$'000
Minimum lease payments paid under operating leases in respect of premises and warehouses during the year	**4,646**	5,533

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**4,612**	2,451
In the second to fifth year inclusive	**7,396**	595
	12,008	3,046

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

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36. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with related parties:

	notes	2011 HK$'000	2010 HK$'000
VC Group			
Purchase of fabrics	i	**36,467**	32,016
Purchase of yarn	i	**1,379**	1,706
Rent paid	ii	**–**	775
Management fee expenses paid	ii	**400**	960
Utility expenses paid	iii	**3,674**	3,931
Dividend paid		**15,300**	1,530
Rental income received		**622**	–
Other related party			
Purchase of apparel products	iv	**81,536**	69,816

notes:

i. On 25 February 2010, the Group entered into a master sale and purchase agreement for fabric ("Fabric Master Agreement") and a master sale and purchase agreement for yarn ("Yarn Master Agreement") with VC Group, pursuant to these master agreements VC Group agreed to sell and the Group agreed to purchase fabric and yarn. The term of these master agreements commenced from 1 April 2010 to 31 March 2013. The Group placed deposits with VC Group in the amount of approximately HK$52,429,000 (2010: Nil) (included in deposits, prepayments and other receivables), and purchased fabrics and yarn from VC Group in the amounts as stated above for the respective years. The transactions contemplated by the Fabric Master Agreement and the Yarn Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

ii. Rent and management fee arrangements were discontinued in October 2009 and September 2010, respectively.

iii. On 25 February 2010, the Group entered into a master purchase agreement ("Steam and Electricity Master Agreement") with VC Group, pursuant to which VC Group agreed to supply, and the Group agreed to accept the provision of, steam and electricity during the term commenced from 1 April 2010 to 31 March 2013. VC Group supplied steam and electricity to the Group in the amounts as stated above for the respective years. The transactions contemplated by the Steam and Electricity Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

iv. On 1 April 2007, the Group entered into a master sale and purchase agreement ("Kimberley-Mayer Master Agreement") with Kimberley and a master sale and purchase agreement ("Former Mayer-FG Master Agreement") with Mayer. Prior to the expiry of the Kimberley-Mayer Master Agreement and the Former Mayer-FG Master Agreement on 31 March 2010, the Group entered into a new master sale and purchase agreement ("Kimberley-FG Master Agreement") with Kimberley and a new master sale and purchase agreement ("Mayer-FG Master Agreement") with Mayer on 16 March 2010 with term commenced from 1 April 2010 to 31 March 2013. Kimberley is indirectly owned as to 50% by a Director Mr. Lau Kwok Wa, Stanley ("Mr. Lau") and as to 50% by his spouse. Mayer is directly owned as to 49% by Mr. Lau. Pursuant to the Kimberley-Mayer Master Agreement and the Kimberley-FG Master Agreement, Kimberley agreed to supply apparel products to the Group. And pursuant to the Former Mayer-FG Master Agreement and the Mayer-FG Master Agreement, Mayer agreed to supply apparel products to the Group. The Group placed deposits with Kimberley in the amount of approximately HK$18,234,000 (2010: HK$5,518,000) (included in deposits, prepayments and other receivables), and purchased apparel products from Kimberley in the amounts as stated above for the respective years. The transactions contemplated by the Kimberley-Mayer Master Agreement, Kimberley-FG Master Agreement, Former Mayer-FG Master Agreement and Mayer-FG Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In addition, since 19 November 2009, 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.

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36. RELATED PARTY DISCLOSURES (continued)

(ii) Balances

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

(iii) Guarantees

At 31 March 2010, certain credit facilities granted to the Group were secured by corporate guarantees given by VC Group. The guarantees provided by the VC Group were released during the year ended 31 March 2011.

(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 both years is set out in Note 12.

37. EVENT AFTER THE REPORTING PERIOD

On 27 April 2011, the Company granted a total of 42,945,000 share options to certain directors and employees of the Group to subscribe for shares in the Company at a subscription price of HK$0.844 per share. The closing price of the Company's shares on the date of grant is HK$0.81 per share.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly %	Attributable equity interest held by the Company Indirectly %	Principal activities
CSG Apparel Inc.	Canada	Common stock CAD1	–	100	Trading of garment products
Ford Glory Holdings Limited	BVI	Ordinary US$100	100	–	Investment holding
Ford Glory International Limited	Hong Kong ("HK")	Ordinary HK$5,000,000	–	100	Trading of garment products
Glory Time Limited	HK	Ordinary HK$100	–	70	Trading of garment products
Mayer Apparel Limited	HK	Ordinary HK$100	–	51	Trading of garment products
PT. Victory Apparel Semarang	Indonesia	Ordinary US$300,000	–	100	Manufacturing of garment products
Sky Winner Investment Limited	HK	Ordinary HK$100	–	70 (2010: Nil)	Trading of garment products and accessories
Top Star Limited	HK	Ordinary HK$2	–	100	Property holding

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38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly %	Attributable equity interest held by the Company Indirectly %	Principal activities
Top Value Inc.	USA	Common stock US$1,000	–	100	Trading of garment products
Value Plus (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Provision of quality inspection services
Victory Apparel (Jordan) Manufacturing Company Limited	Jordan	Ordinary JD50,000	–	100	Manufacturing of garment products
江門冠暉製衣有限公司 (Note i) Jiangmen V-Apparel Manufacturing Ltd.	PRC	Registered HK$30,000,000	–	100	Manufacturing and trading of garment products
藝田貿易（上海）有限公司 (Note i & ii) Teelocker Limited	PRC	Registered HK$5,000,000	–	70 (2010: Nil)	Trading of garment products
福之源貿易（上海）有限公司 (Note i) Ford Glory Trading (Shanghai) Limited	PRC	Registered RMB1,000,000	–	100	Trading of garment products and accessories
福源創業信息諮詢服務（深圳）有限公司 (note i) Ford Glory (Shenzhen) International Ltd.	PRC	Registered HK$3,000,000	–	100	Provision of procurement services

Note:

(i) These companies are registered in the form of wholly foreign owned enterprise.

(ii) The company is incorporated in January 2011.

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

www.fordglory.com.hk

19/F, Ford Glory Plaza, 37-39 Wing Hong Street,
Cheung Sha Wan, Kowloon, Hong Kong
香港九龍長沙灣永康街37-39號福源廣場19樓