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)

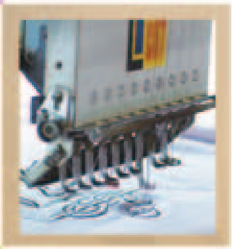
Stock Code 股份代號：1682

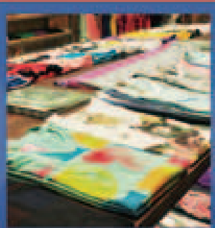
* For identification purposes only 僅供識別

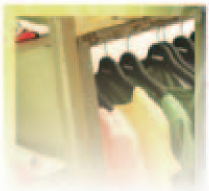
Development of a

Better Future

ANNUAL REPORT **2012** 年報







CONTENTS

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*

Lee Chung Shing *(appointed on 1 May 2012)*

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Choi Lin Hung *(chairman)*
Lau Chi Kit
Mak Chi Yan

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 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
Australia and New Zealand Banking Group 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

* With effect from 1 May 2012, Ms. Chan Shuk Fun ceased to act as the company secretary of the Company.

Financial Summary

RESULTS

	Year ended 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Revenue	1,430,890	1,284,268	894,351	902,878	**909,908**
Profit before tax	58,634	51,968	47,960	31,245	**11,097**
Income tax expense	(2,321)	(3,493)	(7,115)	(10,053)	**(3,377)**
Profit for the year	56,313	48,475	40,845	21,192	**7,720**
Attributable to:					
Owners of the Company	51,790	45,322	35,480	17,225	**7,256**
Non-controlling interests	4,523	3,153	5,365	3,967	**464**
	56,313	48,475	40,845	21,192	**7,720**

ASSETS AND LIABILITIES

	At 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Total assets	631,303	607,764	505,699	557,537	**573,145**
Total liabilities	(407,096)	(341,159)	(269,081)	(230,933)	**(232,326)**
	224,207	266,605	236,618	326,604	**340,819**
Equity attributable to:					
Owners of the Company	204,058	243,497	229,743	315,264	**331,262**
Non-controlling interests	20,149	23,108	6,875	11,340	**9,557**
	224,207	266,605	236,618	326,604	**340,819**

Chairman's Statement

MANUFACTURING BUSINESS

The Group has invested approximately HK$44 million in property, plant and equipment for the year, revenue from self-owned production to the Group's revenue rose from 34.9% to 45.0% this year.

On behalf of the board (the "Board") of directors (the "Directors") of Ford Glory Group Holdings Limited (the "Company") and its subsidiaries (the "Group" or "Ford Glory"), I am pleased to present our results for the year ended 31 March 2012.

BUSINESS REVIEW

The garment industry faced many difficulties during the year. Hindered by the European debt crisis and the slow recovery of the United States of America (the "USA" or "US") economy, international demand was weak. In addition, the fluctuation in raw material prices, ongoing increase in labour and utility costs, and the appreciation of the Renminbi ("RMB"), all added up to a challenging year. In response to the difficult operating environments, we discreetly strengthened our focus on reinforcing long-term partnerships with our customers and enhancing internal cost control through production base optimisation and diversification. Such efforts helped reduce the negative effects of the difficult operating environment and enhance our competitive advantage.

For the year under review, the Group's revenue rose slightly to approximately HK$910 million, representing a marginal growth of approximately 0.8% in comparison to the previous corresponding year. The gross profit decreased to approximately HK$143 million, representing an approximately 7.4% decrease as compared with last year.

Chairman's Statement



Manufacturing Business

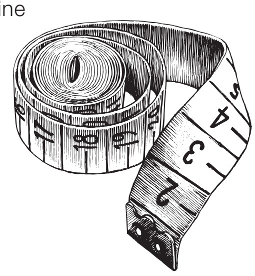
For the year under review, revenue attributed from the manufacturing segment increased by approximately 29.9% to approximately HK$410 million, accounting for approximately 45.0% of the Group revenue. Market weakness continued to dampen the overall garment industry as retailers and wholesalers worldwide were cautious in procurement by maintaining a low inventory level. Nevertheless, our Indonesia factory has received the "Supplier Award – Performance Achievement" in 2012 for its proven punctual delivery track record from PVH Corp. in the USA recognising our performance as one of their top-ranking vendors.

In order to bolster our competitive advantages, we strategically set up a new production base in Cambodia in March 2011 and restart our production base in Jordan in April 2012. Along with our existing facilities in Southern People's Republic of China (the "PRC") and Indonesia, we are currently operating four production bases. Jordan and Cambodia enjoy substantial labour cost advantages over the PRC. On top of that, garments manufactured in Cambodia enjoy import duty free to the European Union and Canada, whilst garments manufactured in Jordan enjoy import duty free to the US. Therefore, we are well positioned to capture greater market shares in the US, Canada and the European markets. The PRC production base, with its relatively distinct advantages on logistics and skilled labour, will be mainly focusing on manufacturing items with complicated designs and is also geared for domestic PRC market customers. By effective order allocation to different production bases, we are able to combine and exploit the advantages of different regions, so as to reduce the impact of rising costs on operations. With the addition of the Cambodia and Jordan production bases, our manufacturing segment is expected to account for over 60% of the Group's revenue.

Retailing Business

The Group believes that the retail apparel industry in the PRC presents enormous potential for future growth. Since 2010, the Group has been diversifying into the retail business by launching the "teelocker" brand.

"teelocker" currently operates 2 online sales channels and sells through around 25 points of sales in some first and second-tier cities in the PRC. During the year, we put dedicated efforts on elevating the national exposure of the brand through a series of cost-effective online marketing campaigns. Through the interactive website "teelocker.com", the brand has attracted brilliant young talents in the PRC to participate in a design contest for the theme of "Childhood Dream". We overwhelmingly received over thousands of designs of which around one hundred designs have been selected for mass production. We also collaborated with celebrities and pop stars to launch crossover T-shirts, which drew significant attention from the online community and their fan base. On the other hand, riding on the PRC's increasingly popular online shopping trend, we opened an online flagship shop in the PRC's largest and the most popular online shopping destination – "Tmall of Taobao". Such distribution channel allows the brand to reach the maximum number of shoppers with the lowest capital investment. Currently, we are actively seeking opportunities to collaborate with online giants and well-established retail chains. Gearing on their enormous user bases and extensive distribution networks, we are aiming to build "teelocker" to be one of the leading T-shirt brands in the PRC.



Chairman's Statement

RETAILING BUSINESS

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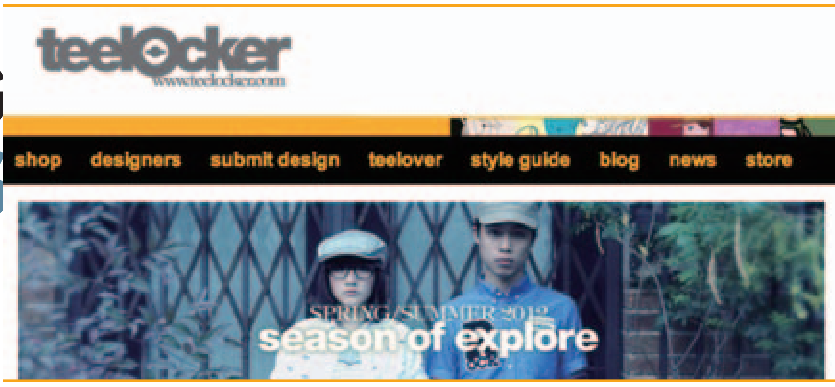


PROSPECTS

Looking ahead, we expect the business environment in 2012 to remain challenging as recovery in the US and Europe is still uncertain. However, we strongly believe that behind every challenge there lies an opportunity.

Manufacturing Business and New Joint Venture

To stay ahead in the challenging garment export business, we will focus on maximising the return from our strategically located factories in the PRC, Indonesia, Cambodia and Jordan. To further expand our sales in the US, we, in May 2012, formed a joint venture with independent third parties to operate a brand offering

Chairman's Statement


value for money quality jeans and other denim casual wears in the US. Moreover, we will develop a new product line – knitted wear for the brand. Such collaboration will not only secure a new and steady revenue source for the Group, but also enhance our exposure in the US garment market. On the other hand, our geographically-diversified production bases in different countries will greatly reduce the impact of cost inflation from the PRC, improve our competitiveness and sustain our profitability in the long run. This will be a solid but flexible foundation for the Group to capture business opportunities in market recovery.

Retailing Business

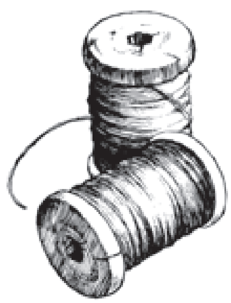
We are gradually shaping "teelocker" into a leading T-shirt brand and an online platform that showcases innovation, personality and character. We believe that the internet is the most cost-effective marketing channel to reach the new generation worldwide. To gain stronger foothold in the market, a series of carefully tailored marketing campaigns will be rolled out in the upcoming years to further enhance brand awareness. A number of stores will also be opened at selected cities for brand building purpose. We will continue to refine and extend our e-commerce platform by forming strategic alliance with internet giants. By capitalising the advantages of our upstream garment manufacturing business, we are confident that "teelocker" will soon become a growth driver of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our management team and employees for their hard work during the year. In addition, I convey my deepest gratitude to our customers, bankers, business partners and shareholders for their continual confidence and support.

Choi Lin Hung
Chairman

Hong Kong
28 June 2012



Management Discussion and Analysis

Financial Review

The Group's revenue was approximately HK$910 million for the year (2011: HK$903 million). Gross profit for the year was approximately HK$143 million representing approximately 15.7% of turnover (2011: 17.1%). Profit attributable to owners of the Company was approximately HK$7 million, representing an approximately 57.9% decrease as compared to that of last year (2011: HK$17 million). This was mainly attributable to (i) the provision made for the share options granted by the Company under its share option scheme during the year; (ii) the decrease in average selling price and profit margin due to macroeconomic downturn; and (iii) the increase in preliminary operating expenses associated with the launching of new production facilities in Cambodia. The profit for the year included share-based payment of approximately HK$11 million, whereas the profit for last year included listing expenses of approximately HK$13 million and share-based payment of approximately HK$8 million. If the share-based payment and the listing expenses were excluded in respective years, the adjusted profit attributable to owners of the Company for the year would be approximately HK$18 million, representing a drop of approximately 52.2% as compared with last year (2011: HK$39 million).

The Group's inventory level was approximately HK$132 million as at 31 March 2012, an increase of approximately HK$24 million compared with last year (2011: HK$108 million). The higher inventory level was mainly attributable to the increase in raw material purchases and manufacturing costs incurred for the in-house production in our new production base in Cambodia.

The Group's deposits, prepayments and other receivables as at this year end was approximately HK$72 million (2011: HK$84 million). These were mainly deposits paid to fabric supplier and sub-contract manufacturers to secure raw material supply and production capacity in order to safeguard the target profit margin.

Trade payables as at this year end was approximately HK$71 million, an increase of approximately HK$8 million compared with last year (2011: HK$63 million). While the Group received from suppliers an average credit term consistent with last year, the inclusion of our new production bases in Cambodia and Jordan expanded our credit supplier portfolio.

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$104 million as at 31 March 2012. Total bank borrowings of the Group as at 31 March 2012 was approximately HK$97 million including a mortgage loan of approximately HK$18 million of which approximately HK$17 million is repayable after one year, all the remaining bank borrowings of approximately HK$80 million are repayable within one year.

Gearing ratio is defined as net debt (represented by bank borrowings net of cash and cash equivalent) divided by shareholders' equity. As at 31 March 2012, the Group's cash and cash equivalents of approximately HK$104 million exceeded its total bank borrowings of approximately HK$97 million and resulted in no gearing. The Group's current ratio was approximately 1.8 (2011: 1.9).

For the year under review and as at 31 March 2012, 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 Hong Kong Interbank Offer Rate ("HIBOR") and London Interbank Offer Rate ("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. As RMB is expected to fluctuate, the Group has entered into forward contracts during the year to hedge some of the risks. 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.

Management Discussion and Analysis

Capital Expenditure and Commitments

During the year, the Group invested approximately HK$44 million (2011: HK$9 million) on additions to property, plant and equipment.

As at 31 March 2012, the Group had commitments of approximately HK$0.7 million in respect of acquisition of new machineries and improvements on rented factory plant.

Charges on Assets

As at 31 March 2012, certain properties of the Group with net book value of approximately HK$28 million (2011: HK$29 million) were pledged to a bank to secure banking facilities granted.

Employee Information

As at 31 March 2012, the Group had a total workforce of 3,731 of whom 1,116 were based in the PRC, 1,114 were in Indonesia, 468 were in Cambodia, 946 were in Jordan and 87 were located in Hong Kong and other places. The Group offers its employees competitive remuneration schemes which are generally structured in 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 incentives to contribute to the success of the Group.

Use of Net Proceeds from the Global Offering

The Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 October 2010. The net proceeds from the Company's global offering (the "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 2012.

Use of net proceeds from the Global Offering	**Net proceeds from the Global Offering** HK$ million	**Utilised as of 31 March 2012** HK$ million	**Unutilised as of 31 March 2012** HK$ million
Expansion and improvement of production facilities	25.5	25.5	0
Expansion of sample design and development capabilities	7.6	7.6	0
Promotional and marketing efforts	2.5	2.5	0
"Monstons" brand development in the PRC market	10.2	10.2	0
Working capital purpose	5.1	5.1	0
Total	50.9	50.9	0

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Choi Lin Hung, aged 50, 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 a director of Brilliant Fashion Inc., CSG Apparel Inc., Ford Glory (Cambodia) Manufacturing Limited ("FG Cambodia"), Ford Glory Holdings Limited ("FG Holdings"), Ford Glory International Limited ("FG International"), Global Trend Investments Limited ("Global Trend"), Glory Time Limited, Gojifashion Inc., Happy Noble Holdings Limited, Jerash Garments and Fashions Manufacturing Company Limited ("Jerash"), Mayer Apparel Limited ("Mayer"), One Sino Limited, PT. Victory Apparel Semarang, Rocwide Limited ("Rocwide"), Sky Winner Investment Limited, Surefaith Limited ("Surefaith"), Top Star Limited ("Top Star"), Top Value Inc., Value Plus (Macao Commercial Offshore) Limited ("Value Plus"), Wealth Choice Limited ("Wealth Choice"), Jiangmen V-Apparel Manufacturing Ltd. ("Jiangmen V-Apparel"), 福之源貿易(上海)有限公司(“福之源”) and Teelocker 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") (stock code: 539), a company listed on the main board of the Stock Exchange, 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 60, was appointed as an executive Director on 8 April 2010 with a director's service contract commenced on 8 September 2010. He is also a director of FG Holdings, FG International, Rocwide, Surefaith, Top Star, Wealth Choice, Jiangmen V-Apparel and 福之源. He was a 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 the position of a manager in 2001 and has been responsible for overseeing the operations of a sample room. He has been responsible for production management since 2007. He is a brother of Mr. Ng Tsze Lun, one of the senior management members of the Group.

Mr. Lau Kwok Wa, Stanley, aged 54, 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 the 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. Chen Tien Tui, aged 63, 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 a director of FG Holdings, FG International, Rocwide, Surefaith, Wealth Choice, Jiangmen V-Apparel and 福之源. Mr. Chen has over 33 years' experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the VC Group. Mr. Chen worked in Kam Fung Bleaching and Dyeing Factory Limited as a 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 currently an independent non-executive director of China Lilang Limited (stock code: 1234), a company listed on the main board of the Stock Exchange.

Mr. Li Ming Hung, aged 61, was appointed as a non-executive Director on 8 September 2010. Mr. Li is chairman and an executive director of VC and a co-founder of the VC Group. Mr. Li is also a director of FG Holdings, FG International, Mayer, Rocwide, Surefaith, Wealth Choice, Jiangmen V-Apparel and 福之源. Mr. Li has over 35 years' experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the VC Group. Mr. Li worked in Kam Fung Bleaching and Dyeing Factory Limited as a manager from 1977 to 1991 and worked in Victory City Company Limited, now a subsidiary of VC, as a director from 1991 until now.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Chi Kit, aged 67, 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). He is currently the honorary advisor of the Institute's Executive Committee. He served as a member on 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). He is currently an independent non-executive director of Chinlink International Holdings Limited (stock code: 997) (formerly known as "Decca Holdings Limited") and Royale Furniture Holdings Limited (stock code: 1198). Both companies are listed on the main board of the Stock Exchange.

Mr. Mak Chi Yan, aged 49, 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 22 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 executive director of Genting Securities Limited, a wholly owned subsidiary of Genting Hong Kong Limited (stock code: 678) (formerly know as "Star Cruises Limited") which is listed on the main board of the Stock Exchange.

Mr. Wong Wai Kit, Louis, aged 51, 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 19 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 8 years' experience in asset management. Mr. Wong has also been in 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.

Biographical Details of Directors and Senior Management

Mr. Yuen Kin Kei, aged 43, 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") (stock code: 242), a company listed on the Stock Exchange, responsible for corporate finance affairs. He has 13 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 57, is the marketing director of the Group. He is a brother of Mr. Ng Tze On, an executive Director of the Company. Mr. Ng is responsible for overseeing the daily operation and marketing of the garment products of the Group. He is also a director of FG Cambodia, FG Holdings, FG International, Surefaith, Value Plus and Wealth Choice. 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.

Mr. Lee Chung Shing, aged 45, was appointed as the company secretary of the Company on 1 May 2012. He is also currently the financial controller and company secretary of VC. Mr. Lee is an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee joined VC in 1998 and has over 23 years' experience in the accounting and finance sector including an international accounting firm and a company listed on the Stock Exchange.

Ms. Cheng Sylvia, aged 47, is a general merchandising manager of FG International. 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 a 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 48, is a general merchandising manager of FG International. 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 was promoted to the position of section manager responsible for the ladies', men's, children and babies' knit and woven businesses of local and overseas offices in Mondial Services (Hong Kong) Ltd. from 1989 to 2002.

Ms. Leung Suk Hing, aged 46, is a merchandising manager of FG International. 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 a 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.

Mr. Cheuk Tak Kwong, aged 53, is the production executive of PT. Victory Apparel Semarang, our wholly-owned factory located in Indonesia. Mr. Cheuk is also a 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 the annual report and the audited consolidated financial statements for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the 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 2012 are set out in the consolidated statement of comprehensive income on page 26.

An interim dividend of HK1.0 cent per ordinary share of the Company amounting to HK$4,380,000 in aggregate was paid to the shareholders of the Company (the "Shareholders") during the year. The Board does not recommend the payment of any final dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$43,836,000 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 financial year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 29.

The Company's reserves available for distribution to Shareholders as at 31 March 2012, represented by its accumulated profits, were approximately HK$2,856,000 (2011: Nil).

SHARE CAPITAL

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2012.

Report of the Directors

DIRECTORS AND SERVICES CONTRACTS

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

Executive Directors:
Mr. Choi Lin Hung *(chairman and chief executive officer)*
Mr. Lau Kwok Wa, Stanley
Mr. Ng Tze On

Non-executive Directors:
Mr. Chen Tien Tui
Mr. Li Ming Hung

Independent non-executive Directors:
Mr. Lau Chi Kit
Mr. Mak Chi Yan
Mr. Wong Wai Kit, Louis
Mr. Yuen Kin Kei

In accordance with Bye-Law 108(A) of the Company's Bye-Laws, Mr. Lau Kwok Wa, Stanley, Mr. Mak Chi Yan and Mr. Wong Wai Kit, Louis shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All the other Directors continue in office.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company 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.

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Name of Directors	Details of Changes
Mr. Choi Lin Hung	Mr. Choi was appointed as the chairman of nomination committee of the Company (the "Nomination Committee") with effect from 19 March 2012.
Mr. Lau Chi Kit	Mr. Lau was appointed as a member of the Nomination Committee with effect from 19 March 2012. He was appointed as an independent non-executive director of Chinlink International Holdings Limited (stock code: 997) (formerly known as "Decca Holdings Limited") with effect from 18 February 2012. He was appointed as an independent non-executive director of Royale Furniture Holdings Limited (stock code: 1198) with effect from 6 September 2011.
Mr. Mak Chi Yan	Mr. Mak was appointed as a member of the Nomination Committee with effect from 19 March 2012.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" in this report and Note 36 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditor 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 confirmed the continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules and issued an unqualified letter containing their findings and conclusions accordingly. The independent non-executive Directors have confirmed the continuing connected transactions in accordance with Rule 14A.37 of the Listing Rules. Specifically, 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 favourable 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 as a whole.

Details of the discloseable continuing 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 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 continuing 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2012, the interests and short positions of the Directors or chief executive of the Company in the shares 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")) (i) 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 (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/nature of interests	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)	–	72.50%
	VC	Beneficial owner	7,980,000 ordinary shares of HK$0.01 each of VC ("VC Shares") (L)	–	0.52%
	Victory City Overseas Limited	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.21%
	Sure Strategy Limited	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (Note 3)	–	49.00%
Mr. Ng Tze On	The Company	Beneficial owner	–	5,350,000 Shares (L) (Note 4)	1.22%
Mr. Lau Kwok Wa, Stanley	The Company	Beneficial owner	–	5,350,000 Shares (L) (Note 4)	1.22%
	Mayer	Beneficial owner	49 ordinary shares of HK$1.00 each (L)	–	49.00%
Mr. Li Ming Hung	The Company	Beneficial owner	277,360 Shares (L)	–	0.06%
	The Company	Founder of a trust	3,512,080 Shares (L) (Note 5)	–	0.80%

Report of the Directors

Name of Director	Name of Group member/ associated corporation	Capacity/nature of interests	Number and class of securities (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of shareholding
Mr. Li Ming Hung	VC	Founder of a trust	351,962,000 VC Shares (L) (Note 5)	–	22.75%
	Victory City Company Limited	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50.00%
	Victory City Overseas Limited	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.39%
Mr. Chen Tien Tui	The Company	Beneficial owner	309,000 Shares (L)	–	0.07%
	The Company	Founder of a trust	3,512,080 Shares (L) (Note 6)	–	0.80%
	VC	Beneficial owner	1,854,000 VC Shares (L)	–	0.12%
	VC	Founder of a trust	351,962,000 VC Shares (L) (Note 6)	–	22.75%
	Victory City Company Limited	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50.00%
	Victory City Overseas Limited	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.39%

Notes:

1. The letter "L" denotes the Directors' 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.

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

4. 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.

5. 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.

6. 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.

Report of the Directors

Save as disclosed above in this report, as at 31 March 2012, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the 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 (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2012, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and chief executive of the Company) had interests or short positions 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 interests**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Sure Strategy Limited	Beneficial owner	315,200,000 Shares (L)	71.96%
Victory City Investments Limited	Beneficial owner	2,448,000 Shares (L)	0.56%
	Interest of controlled corporation	315,200,000 Shares (L) (Note 2)	71.96%
VC (Note 3)	Interest of controlled corporation	317,648,000 Shares (L)	72.52%
Merlotte Enterprise Limited	Beneficial owner	2,352,000 Shares (L)	0.54%
	Interest of controlled corporation	315,200,000 Shares (L) (Note 2)	71.96%
Ms. Chan Lai Fan (Note 4)	Interest of spouse	317,552,000 Shares (L)	72.50%
Mr. Ng Tsze Lun	Beneficial owner	58,352,360 Shares (L) (Note 5)	13.32%

Notes:

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

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. There are 58,000,000 of share options granted to Mr. Ng Tsze Lun under the Share Option Scheme, further details of which are set out in Note 31 to the consolidated financial statements.

Save as disclosed above, as at 31 March 2012, 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 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 share were listed on the Stock Exchange on 5 October 2010. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants for their contributions to the Group. Details of the Share Option Scheme are set out in Note 31 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, nor 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 of the Company ("Remuneration Committee") on the basis of their merit, qualifications and competence.

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

The Company has adopted the Share Option Scheme as an incentive to eligible Directors and eligible employees of the Group (collectively, "Eligible Employees"), details of the Share Option Scheme are set out in Note 31 to the consolidated financial statements.

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 2012.

CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 31 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 2012 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 2012.

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.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, sales to the five largest customers accounted for 59.3% of the total revenue of the Group and sales to the largest customer included therein accounted for 19.2%.

Purchase from the Group's five largest suppliers accounted for 48.6% of the total purchase for the year. The Group's largest supplier for the year is VC Group which accounted for 15.6% of the total purchase for the year. VC is the Company's ultimate holding company, the shares of which are listed on the main board of the Stock Exchange. One of the Group's five largest suppliers is Kimberley. The Group's purchase from Kimberley accounted for 11.1% of the total purchase for the year. Kimberley is wholly-owned by Mr. Lau Kwok Wa, Stanley, being one of the Directors, and his associate ("Associate" within the meaning as defined in the Listing Rules). Details of the Group's purchase from VC Group and Kimberley during the financial year are set out in Note 36 to the consolidated financial statements.

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

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float pursuant to the Listing Rules.

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 of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Choi Lin Hung
Chairman

Hong Kong
28 June 2012

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions ("Code Provisions") of the "Code on Corporate Governance Practices" ("CG Code") (known as "Corporate Governance Code" with effect from 1 April 2012) as set out in 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 2012 save and except for the deviation from Code Provision A.2.1 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 below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct (the "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 enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2012.

BOARD OF DIRECTORS

The Board currently comprises nine Directors, including three executive Directors, namely Mr. Choi Lin Hung (chairman and chief executive officer), Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On; two non-executive Directors, namely Mr. Chen Tien Tui and Mr. Li Ming Hung; and four independent non-executive Directors, namely 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 12 of the annual report of the Company for the year ended 31 March 2012.

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 collectively monitors performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to the executive Directors and senior management of the Company in charge of the Group's business.

To implement the strategies and plans effectively, executive Directors and senior management meet on a regular basis to review the performance of the business of the Group, co-ordinate overall resources and make financial and operational decisions.

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

Corporate Governance Report

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

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

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

(c) approved the payment of the interim dividend for the six months ended 30 September 2011 to the Shareholders;

(d) reviewed the performance and financial position of the Group;

(e) established the Nomination Committee in order to comply with the Listing Rules amendment effected on 1 April 2012; and

(f) reviewed documents including, but not limited to, new terms of references of Board Committees (as defined below) in order to comply with the Listing Rules amendment effected on 1 April 2012.

Attendance records of each individual Director at the Board meetings held for the year ended 31 March 2012 are set out below:

	Attendance
Executive Directors	
Mr. Choi Lin Hung *(chairman and chief executive officer)*	4/4
Mr. Lau Kwok Wa, Stanley	4/4
Mr. Ng Tze On	2/4
Non-executive Directors	
Mr. Chen Tien Tui	2/4
Mr. Li Ming Hung	3/4
Independent non-executive Directors	
Mr. Lau Chi Kit	4/4
Mr. Mak Chi Yan	3/4
Mr. Wong Wai Kit, Louis	4/4
Mr. Yuen Kin Kei	4/4

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that 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 meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Company to make and implement decisions promptly and efficiently.

Corporate Governance Report

Non-executive Directors and Independent non-executive Directors

All 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 of the four independent non-executive Director has made an annual confirmation of independence to the Company. Based on the contents of such confirmation, the Company considers that the four independent non-executive Directors are independent and that they all meet the specific independence guideline as set out in Rule 3.13 of the Listing Rules.

BOARD COMMITTEES

The Board has established three board committees including the Nomination Committee, the Remuneration Committee and the audit committee of the Company (the "Audit Committee") (collectively, the "Board Committees"). The Board has delegated some of its functions to the Board Committees, the details of which are discuss below.

Nomination Committee

The Nomination Committee currently comprises one executive Director, namely Mr. Choi Lin Hung (chairman); and two independent non-executive Directors, namely Mr. Lau Chi Kit and Mr. Mak Chi Yan. In order to comply with the Listing Rules amendment effected on 1 April 2012, the Board established the Nomination Committee on 19 March 2012. The duties of the Nomination Committee are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions. The terms of reference of the Nomination Committee can be found on the websites of the Stock Exchange and the Company.

The duties of the Nomination Committee are, but not limited to, to review, formulate and consider the nomination procedures as regards the appointment, reappointment and removal of Directors and to make recommendations to the Board regarding candidates to fill vacancies on the Board. No Director will take part in any discussions and decisions about his own appointment.

Proposals for the appointment of a new director, if any, will be considered and reviewed by the Nomination Committee prior to recommending them to the Board for approval. All candidates to be selected and qualified to be members of the Board must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

As the Nomination Committee was established on 19 March 2012 and no meeting has yet been held during the year.

Nevertheless, one meeting of the Nomination Committee was held in June 2012 to make recommendations on the re-election of Mr. Lau Kwok Wa, Stanley, Mr. Mak Chi Yan and Mr. Wong Wai Kit, Louis as Directors to be proposed for Shareholders' approval in the forthcoming annual general meeting of the Company.

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 terms of reference of the Remuneration Committee can be found on the websites of the Stock Exchange and the Company.

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

(a) reviewed the salary of the employees of the Group and the executive Directors; and

(b) reviewed a new terms of reference in order to comply with the Listing Rules amendment effected on 1 April 2012.

Corporate Governance Report

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 terms of reference of the Audit Committee can be found on the websites of the Stock Exchange and the Company.

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

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

(a) reviewed the interim and annual reports of the Company together with the external auditor and senior management of the Company;

(b) reviewed with the external auditor 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;

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

(e) reviewed the new terms of reference in order to comply with the Listing Rules amendment effected on 1 April 2012.

Attendance records of each individual Director at the Audit Committee meetings held for the year ended 31 March 2012 are set out below:

	Attendance
Independent non-executive Directors	
Mr. Yuen Kin Kei *(chairman)*	3/3
Mr. Lau Chi Kit	3/3
Mr. Mak Chi Yan	2/3
Mr. Wong Wai Kit, Louis	3/3

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

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$1,231,000 for the Group; Non-audit services of approximately HK$755,000 including:

– review of interim results;

– taxation services for the Group;

– agreed-upon procedures on the Group's continuing connected transactions; and

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

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 26 to 80, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	8	**909,908**	902,878
Cost of sales		**(767,234)**	(748,836)
Gross profit		**142,674**	154,042
Other income		**7,636**	4,015
Other gains and losses	10	**5,362**	3,285
Selling and distribution costs		**(27,999)**	(17,550)
Administrative expenses		**(102,991)**	(89,547)
Listing expenses		**–**	(13,110)
Share-based payment	31	**(11,156)**	(8,179)
Interest on bank borrowings		**(2,429)**	(1,711)
Profit before tax		**11,097**	31,245
Income tax expense	11	**(3,377)**	(10,053)
Profit for the year	12	**7,720**	21,192
Other comprehensive income			
Exchange difference arising on translation		**1,973**	2,396
Total comprehensive income for the year		**9,693**	23,588
Profit for the year attributable to:			
Owners of the Company		**7,256**	17,225
Non-controlling interests		**464**	3,967
		7,720	21,192
Total comprehensive income attributable to:			
Owners of the Company		**9,222**	19,621
Non-controlling interests		**471**	3,967
		9,693	23,588
Earnings per share	14		
Basic		**HK1.7 cents**	HK4.6 cents
Diluted		**HK1.6 cents**	HK4.5 cents

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**136,305**	105,313
Prepaid lease payments	16	**3,645**	3,609
Goodwill	17	**5,970**	5,541
Intangible asset	18	**1,000**	1,000
Interest in a jointly controlled entity	19	**–**	–
Deferred tax assets	30	**1,899**	1,518
		148,819	116,981
Current assets			
Inventories	20	**132,335**	107,505
Trade and bills receivables	21	**110,780**	111,908
Deposits, prepayments and other receivables	22	**71,998**	84,103
Prepaid lease payments	16	**99**	95
Derivative financial instruments	28	**1,225**	856
Tax recoverable		**3,659**	–
Bank balances and cash	24	**104,230**	136,089
		424,326	440,556
Current liabilities			
Trade payables	25	**71,402**	62,823
Other payables and accruals	26	**36,970**	26,081
Amounts due to related companies	23	**15,319**	1,282
Derivative financial instruments	28	**1,957**	–
Tax payable		**8,479**	12,149
Bank borrowings	27	**96,613**	127,364
		230,740	229,699
Net current assets		**193,586**	210,857
Total assets less current liabilities		**342,405**	327,838

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	29	**4,380**	4,380
Reserves		**326,882**	310,884
Equity attributable to owners of the Company		**331,262**	315,264
Non-controlling interests		**9,557**	11,340
Total equity		**340,819**	326,604
Non-current liability			
Deferred tax liabilities	30	**1,586**	1,234
		342,405	327,838

The financial statements on pages 26 to 80 were approved and authorised for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

Choi Lin Hung	**Lau Kwok Wa, Stanley**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 29)	Share premium HK$'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 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	–	–	–	–	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
Profit for the year	–	–	–	–	–	7,256	7,256	464	7,720
Exchange difference arising on translation	–	–	–	–	1,966	–	1,966	7	1,973
Total comprehensive income for the year	–	–	–	–	1,966	7,256	9,222	471	9,693
Dividends paid in cash (Note 13)	–	–	–	–	–	(4,380)	(4,380)	–	(4,380)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(2,254)	(2,254)
Recognition of equity-settled share-based payments	–	–	–	11,156	–	–	11,156	–	11,156
Release of equity-settled share-based payments upon cancellation of option	–	–	–	(137)	–	137	–	–	–
At 31 March 2012	**4,380**	**64,626**	**(22,325)**	**19,071**	**6,392**	**259,118**	**331,262**	**9,557**	**340,819**

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**11,097**	31,245
Adjustments for:			
Depreciation of property, plant and equipment		**14,427**	15,363
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments		**158**	(508)
Write-down of inventories		**1,564**	–
Gain on fair value changes of derivative financial instruments		**(281)**	(856)
Interest income		**(830)**	(96)
Interest on bank borrowings		**2,429**	1,711
Recognition of equity-settled share-based payments		**11,156**	8,179
Release of prepaid lease payments		**97**	92
Operating cash flows before working capital changes		**39,817**	55,130
Increase in inventories		**(26,320)**	(51,024)
Decrease in trade and bills receivables		**8,799**	12,724
Decrease (increase) in deposits, prepayments and other receivables		**16,673**	(61,450)
Increase (decrease) in trade payables		**5,927**	(35,059)
Decrease in other payables and accruals		**(9,231)**	(638)
Increase (decrease) in amounts due to related companies – trade		**14,037**	(762)
Proceeds from and settlement of derivative financial instruments		**1,869**	–
Cash generated from (used in) operations		**51,571**	(81,079)
Interest paid on bank borrowings		**(2,166)**	(1,711)
Profits Tax paid		**(10,690)**	(7,480)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**38,715**	(90,270)
INVESTING ACTIVITIES			
Repayment from related companies – non-trade		**–**	27,866
Proceeds from disposal of property, plant and equipment and leasehold land		**521**	25,915
Interest received		**428**	96
Purchase of property, plant and equipment		**(33,610)**	(9,119)
Purchase of intangible asset		**–**	(502)
Acquisition of subsidiaries	32	**(1,707)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(34,368)**	44,256

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Dividend paid to shareholders	**(4,380)**	(30,000)
Dividend paid to non-controlling interest	**(2,254)**	–
Repayment of mortgage loans	**(1,264)**	(20,618)
Expenses on issue of shares	**–**	(6,813)
Repayment to related companies – non-trade	**–**	(2,202)
Proceeds from issue of shares	**–**	70,800
Net trust receipt loans (repaid) raised	**(46,880)**	41,714
Bank borrowings raised	**17,393**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(37,385)**	52,881
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(33,038)**	6,867
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**136,089**	128,404
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,179**	818
CASH AND CASH EQUIVALENTS AT END OF THE YEAR representing bank balances and cash	**104,230**	136,089

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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 is 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 year ended 31 March 2011 have been prepared as if the current group structure had been in existence throughout the year ended 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.

Since 2006, VC owned 60% interest in Jiangmen V-Apparel through its wholly-owned subsidiary, Rocwide. On 19 November 2009, the Group acquired the 40% interest in Jiangmen V-Apparel 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 V-Apparel 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 2012

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

New and revised 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:

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

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

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five standards are described below.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

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

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements but result in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

The amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for annual periods beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors anticipate that the application of the other new and revised standards, amendments and interpretations upon their respective effective date will have no material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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 in 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.

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 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment 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 (see the accounting policy below); and

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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 accumulated impairment losses, if any, and is presented separately in consolidated statement of financial position.

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

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

On disposal of the relevant CGU, the attributable amount of goodwill or the amount of goodwill allocated to the unit is included in the determination of the amount of gain 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 its jointly controlled entity of the Group, profits and 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 2012

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any.

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

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

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 lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessor

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

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.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of 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 jointly controlled entities that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and 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 2012

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 recognised as an 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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading on initial recognition.

A financial asset is classified as held for trading if:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are held for trading on initial recognition.

A financial liability is classified as held for trading if:

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

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (continued)

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

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

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

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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 2012, the carrying amount of trade and bills receivables was approximately HK$110,780,000 (2011: HK$111,908,000) (net of allowance for doubtful debts of approximately HK$878,000 (2011: HK$848,000)).

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 2012, the carrying amount of inventories was approximately HK$132,335,000 (2011: HK$107,505,000).

Income taxes

As at 31 March 2012, deferred tax asset in relation to unused tax losses of approximately HK$6,768,000 (2011: HK$26,924,000) 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 profit or loss for the period in which such change 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 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors 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 2012

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**219,989**	249,916
Derivative financial instruments	**1,225**	856
Financial liabilities		
Amortised cost	**186,834**	191,984
Derivative financial instruments	**1,957**	–

(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 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 and foreign currency forward contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB or Euro Dollar ("EURO") against US$ or HK$, which is the functional currency of the relevant group entities.

At the end of the reporting period, the Group is exposed to foreign currency risk arising from 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
HK$	**63,216**	74,060	**8,835**	36,246
RMB	**1**	2	**21,955**	6,595
Pound Sterling ("GBP")	**–**	–	**2**	7,249
Canadian Dollar ("CAD")	**4**	–	**–**	87
EURO	**–**	–	**2**	45

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

7. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

The Group is also exposed to foreign currency risk arising from intercompany balances denominated in currencies other than the functional currencies of the relevant group entities. The sensitivity analysis of the balances is disclosed below.

Sensitivity analysis

The Group is mainly exposed to foreign currency risk of US$, HK$, RMB and CAD (2011: US$, HK$, RMB, GBP, CAD and EURO).

The following table details the Group's sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies by 5%, and vice versa. 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. The sensitivity analysis includes intercompany balances where the denomination of the amount is in a currency other than the functional currency of the relevant group entities. On this basis, there will be an increase/decrease in post-tax profit as follow, where the functional currency of the relevant group entities weaken against the foreign currencies by 5%, and vice versa.

	2012	2011
	HK$'000	HK$'000
Increase in profit	**4,100**	4,079

As set out in note 28, at the end of the reporting period, the Group had outstanding structured and non-structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

For the outstanding structured currency forward contracts, if US$ was strengthened against RMB by 5%, the profit for the year ended 31 March 2012 would decrease by approximately HK$32,266,000 (2011: HK$7,186,000); if the US$ was weakened against RMB by 5%, the profit for the year ended 31 March 2012 would increase by approximately HK$5,787,000 (2011: HK$94,000).

No sensitivity analysis is presented for the outstanding non-structured foreign currency forward contracts as their impact is insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

7. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk 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 HIBOR or LIBOR plus a spread. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

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 25 basis point (2011: 50) 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 25 basis points (2011: 50) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2012 would decrease/increase by approximately HK$202,000 (2011: HK$532,000)

Credit risk

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

In order to 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 consider that the Group's credit risk is significantly reduced.

At 31 March 2012, the Group had a concentration of credit risk as the top 5 trade debtors accounted for approximately 51% of its total trade debt balance (2011: 40%). In view of this, senior management members regularly visit these customers to understand their business operations and cash flows position. In this regard, management considers that this credit concentration risk has been significantly mitigated.

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 2012

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 and 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$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade payables	–	27,092	43,713	597	–	71,402	71,402
Other payables	–	3,500	–	–	–	3,500	3,500
Amounts due to related companies	–	15,319	–	–	–	15,319	15,319
Bank borrowings	1.70	96,613	–	–	–	96,613	96,613
		142,524	43,713	597	–	186,834	186,834
Derivative – net settlement							
– structured currency forward contracts		(74)	(221)	(453)	2,458	1,710	1,686
– foreign currency forward contracts		–	271	–	–	271	271
		(74)	50	(453)	2,458	1,981	1,957

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'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	127,364	–	–	–	127,364	127,364
		147,358	44,161	465	–	191,984	191,984

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

7. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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 2012 and 31 March 2011, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$96,613,000 and HK$127,364,000 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 in accordance with the scheduled repayment dates set out in the loan agreements, as follows. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan than Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2012								
Bank borrowings	**1.70**	**23,014**	**53,393**	**4,004**	**6,128**	**13,077**	**99,616**	**96,613**
2011								
Bank borrowings	1.68	45,100	41,902	22,888	5,981	14,260	130,131	127,364

(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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

7. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

	2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Derivative financial instruments	**–**	**17**	**1,208**	**1,225**
Financial liabilities at FVTPL				
Derivative financial instruments	**–**	**271**	**1,686**	**1,957**

	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial instruments	–	–	856	856

There were no transfers between Level 2 and 3 in current and prior years.

Reconciliation of Level 3 fair value measurement of financial assets and financial liabilities

	Structured currency forward contracts HK$'000
At 1 April 2010	–
Fair value gain credited to profit or loss – unrealised	856
At 31 March 2011	856
Premium received on contract dates	(1,552)
Net settlement	(317)
Fair value (loss) gain credited to profit or loss	
– realised	(539)
– unrealised	1,074
At 31 March 2012	**(478)**

The total gain of approximately HK$1,074,000 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 (2011: HK$856,000) that are included in "Other gains and losses."

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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:

	2012 HK$'000	2011 HK$'000
Production and sale of garment products	**903,194**	900,071
Provision of quality inspection services	**6,714**	2,807
	909,908	902,878

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, Europe, Hong Kong and other locations except the PRC and provide quality inspection services.

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

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

Year ended 31 March 2012

	Segment A HK$'000	**Segment B HK$'000**	**Segment total HK$'000**	**Eliminations HK$'000**	**Consolidated total HK$'000**
REVENUE					
External sales	**827,125**	**82,783**	**909,908**	**–**	**909,908**
Inter-segment sales	**–**	**327,010**	**327,010**	**(327,010)**	**–**
Total	**827,125**	**409,793**	**1,236,918**	**(327,010)**	**909,908**
RESULTS					
Segment results	**16,184**	**6,161**	**22,345**		**22,345**
Unallocated income					**6,867**
Unallocated expenses					**(15,686)**
Interest expense					**(2,429)**
Profit before tax					**11,097**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

9. SEGMENT INFORMATION (continued)

Year ended 31 March 2011

	Segment A HK$'000	Segment B HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total 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

Segment profit represents the profit earned by each segment without allocation of gain (loss) on disposal of property, plant and equipment, share-based payments, listing expenses, rental income, interest 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 rates.

Segment assets and liabilities

At 31 March 2012

	Segment A HK$'000	**Segment B HK$'000**	**Consolidated total HK$'000**
ASSETS			
Segment assets	**179,438**	**279,960**	**459,398**
Unallocated assets			**113,747**
Consolidated total assets			**573,145**
LIABILITIES			
Segment liabilities	**73,215**	**46,926**	**120,141**
Unallocated liabilities			**112,185**
Consolidated total liabilities			**232,326**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

9. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

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

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

Other segment information

At 31 March 2012

	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)	**2,360**	**41,467**	**43,827**	**9**	**43,836**
Depreciation	**3,350**	**10,837**	**14,187**	**240**	**14,427**
Release of prepaid lease payment	**–**	**97**	**97**	**–**	**97**
Write-down of inventories	**–**	**1,564**	**1,564**	**–**	**1,564**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

9. SEGMENT INFORMATION (continued)

Other segment information (continued)

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

note: Amounts include 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	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong	**2,428**	8,972	**34,217**	34,892
PRC	**91,292**	104,215	**82,088**	66,908
USA	**576,807**	502,586	**2**	102
Canada	**99,837**	141,160	**–**	–
Europe	**103,713**	70,894	**–**	–
Others	**35,831**	75,051	**30,613**	13,561
	909,908	902,878	**146,920**	115,463

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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:

	note	2012 HK$'000	2011 HK$'000
Customer A		**175,024**	110,022
Customer B		**147,287**	126,825
Customer C	(ii)	**60,340**	90,636

notes:

(i) Revenue from the above customers all fall under Segment A.

(ii) Revenue from Customer C for the year ended 31 March 2012 (approximately HK$60,340,000) contributed to 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 services (see Note 8 for details).

10. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Net gain on fair value changes of derivative financial instruments	**281**	856
Net (loss) gain on disposal of property, plant and equipment	**(158)**	508
Net foreign exchange gains	**5,239**	1,921
	5,362	3,285

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

11. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
– current year	**1,905**	7,380
– under (over) provision in respect of prior years	**39**	(255)
	1,944	7,125
Enterprise income tax ("EIT") in the PRC attributable to subsidiaries	**1,383**	3,866
Overseas income tax		
– current year	**–**	151
– under (over) provision in respect of prior years	**86**	(86)
	86	65
Deferred taxation (Note 30)	**(36)**	(1,003)
	3,377	10,053

Hong Kong

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

PRC

The Group's PRC subsidiaries are subject to PRC EIT at the statutory tax rate of 25% for both years.

Macau

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

Other jurisdictions

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

11. INCOME TAX EXPENSE (continued)

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

	2012 HK$'000	2011 HK$'000
Profit before tax	**11,097**	31,245
Tax at the domestic income tax rate of 16.5%	**1,831**	5,155
Tax effect of expenses that are not deductible for tax purpose	**3,226**	4,157
Tax effect of income not taxable for tax purpose	**(262)**	(430)
Tax effect of utilisation of tax losses previously not recognised	**(940)**	(360)
Tax effect of tax losses not recognised	**688**	191
Income tax on tax exemption	**(1,101)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(332)**	1,104
Under (over) provision in respect of prior years	**125**	(341)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**142**	577
Tax charge for the year	**3,377**	10,053

Details of deferred taxation are set out in Note 30.

12. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note (i))	**4,214**	4,945
Other staff costs	**122,442**	103,200
Total staff costs	**126,656**	108,145
Auditor's remuneration	**1,276**	1,253
Depreciation of property, plant and equipment	**14,427**	15,363
Release of prepaid lease payments	**97**	92
Write-down of inventories (included in cost of sales)	**1,564**	–
and after crediting:		
Bank interest income	**830**	96

Included in the other staff costs is an aggregate amount of approximately HK$5,444,000 (2011: HK$3,578,000) 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 2012

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 HK$'000	Lau Kwok Wa, Stanley HK$'000	Ng Tze On HK$'000	Chen Tien Tui HK$'000	Li Ming Hung HK$'000	Lau Chi Kit HK$'000	Mak Chi Yan HK$'000	Wong Wai Kit, Louis HK$'000	Yuen Kin Kei HK$'000	Total HK$'000
2012										
Fees	**990**	**652**	**346**	**–**	**–**	**180**	**180**	**180**	**180**	**2,708**
Salaries and other benefits	**1,120**	**84**	**267**	**–**	**–**	**–**	**–**	**–**	**–**	**1,471**
Contribution to retirement benefits scheme	**12**	**12**	**11**	**–**	**–**	**–**	**–**	**–**	**–**	**35**
Equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total emoluments	**2,122**	**748**	**624**	**–**	**–**	**180**	**180**	**180**	**180**	**4,214**
2011										
Fees	–	–	–	–	–	101	101	101	101	404
Salaries and other benefits	1,195	667	565	–	–	–	–	–	–	2,427
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

Employees

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

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**3,091**	1,374
Contributions to retirement benefits scheme	**36**	24
Equity-settled share-based payment expense	**9,931**	4,255
	13,058	5,653

Their emoluments were within the following bands:

	2012	2011
HK$nil to HK$1,000,000	**2**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$11,000,001 to HK$11,500,000	**1**	–

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

12. PROFIT FOR THE YEAR (continued)

notes: (continued)

(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 benefit scheme and the MPF scheme co-existed within the Group in both years.

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

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

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

13. DISTRIBUTIONS

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
2012 interim dividend of HK1.0 cent (2011: Nil) per ordinary share	**4,380**	–

An interim dividend of HK1.0 cent (2011: Nil) per ordinary share amounting to HK$4,380,000 was paid to the Shareholders during the year. No final dividend was paid or proposed for the year ended 31 March 2012, nor has any dividend been proposed since the end of the reporting period (2011: 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 2011.

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:

	2012 HK$'000	2011 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**7,256**	17,225
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**438,000,000**	377,221,918
Effect of dilutive potential ordinary shares in respect of share options	**19,019,155**	6,009,734
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**457,019,155**	383,231,652

The number of ordinary shares for calculating basic and diluted earnings per share for the year ended 31 March 2011 has been retrospectively adjusted for the capitalisation issue of 318,000,000 shares in the Company as set out in Note 29.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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 2010	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
Exchange realignment	1,341	447	313	55	1,257	3,413
Additions	13,671	9,117	3,299	1,808	5,715	33,610
Acquired on acquisition of subsidiaries (Note 32)	–	68	197	621	9,340	10,226
Disposals	–	(1,546)	(1,763)	(1,245)	(13,221)	(17,775)
At 31 March 2012	**80,917**	**26,865**	**19,105**	**6,814**	**73,536**	**207,237**
DEPRECIATION						
At 1 April 2010	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
Exchange realignment	76	197	195	38	645	1,151
Provided for the year	2,850	2,484	2,392	1,034	5,667	14,427
Eliminated on disposals	–	(1,509)	(1,403)	(1,045)	(13,139)	(17,096)
At 31 March 2012	**7,690**	**13,772**	**10,811**	**2,666**	**35,993**	**70,932**
CARRYING VALUE						
At 31 March 2012	**73,227**	**13,093**	**8,294**	**4,148**	**37,543**	**136,305**
At 31 March 2011	61,141	6,179	7,432	2,936	27,625	105,313

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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:

	2012 HK$'000	2011 HK$'000
Buildings and leasehold land with medium-term lease located in:		
– Hong Kong	**27,717**	28,731
– the PRC	**42,994**	29,687
– Jordan	**2,516**	2,723
	73,227	61,141

16. PREPAID LEASE PAYMENTS

	2012 HK$'000	2011 HK$'000
Prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**3,744**	3,704
Analysed for reporting purposes as:		
Current assets	**99**	95
Non-current assets	**3,645**	3,609
	3,744	3,704

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

17. GOODWILL

	HK$'000
COST	
At 1 April 2010 and 31 March 2011	5,541
Arising on acquisition of subsidiaries (Note 32)	429
At 31 March 2012	**5,970**

As explained in Note 9, the Group has two operating segments. For the purposes of impairment testing, goodwill was allocated to a group of CGUs, which are included in the production and sale of garment products segment (i.e. segment B in Note 9). The segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

18. INTANGIBLE ASSET

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

The intangible asset represents a trademark acquired for 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.

The trademark has been allocated to a CGU, which is included in the sale of garment products segment (i.e. segment A in Note 9). During the year ended 31 March 2012 and the year ended 31 March 2011, management determines that there is no impairment of trademark.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

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

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

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

20. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	65,669	56,572
Work in progress	43,451	20,644
Finished goods	23,215	30,289
	132,335	107,505

21. TRADE AND BILLS RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade and bills receivables	111,658	112,756
Less: allowance for doubtful debts	(878)	(848)
	110,780	111,908

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 2012

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:

	2012 **HK$'000**	2011 HK$'000
0 to 30 days	**73,189**	57,261
31 to 60 days	**22,575**	35,139
61 to 90 days	**3,846**	16,555
91 to 120 days	**8,910**	1,081
Over 120 days	**2,260**	1,872
	110,780	111,908

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

	2012 **HK$'000**	2011 HK$'000
HK$	**182**	1,410
RMB	**596**	80

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 an aggregate carrying amount of approximately HK$2,260,000 (2011: HK$1,872,000) 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 2012, the Group discounted certain bills receivables to banks with recourse. The Group continued to recognise the carrying amount of these receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2012, the carrying amount of bills receivables discounted with recourse was approximately HK$783,000 (2011: HK$396,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

21. TRADE AND BILLS RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**848**	1,445
Amounts written off as uncollectible	**–**	(597)
Exchange difference	**30**	–
Balance at end of the year	**878**	848

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

	2012 HK$'000	2011 HK$'000
Deposits paid for purchases of raw materials and garment products	**55,308**	76,947
Other deposits and prepayments	**8,924**	3,334
Others	**7,766**	3,822
	71,998	84,103

23. AMOUNTS DUE TO RELATED COMPANIES

Details of the balances with related companies are as follows:

	2012 HK$'000	2011 HK$'000
Amounts due to fellow subsidiaries	**15,113**	1,179
Amount due to ultimate holding company	**206**	103
	15,319	1,282

All the above balances are trade in nature. They are unsecured, interest-free and repayable on demand.

An aged analysis of the amounts due to related companies at the end of each reporting period is as follows:

	2012 HK$'000	2011 HK$'000
0 to 30 days	**8,342**	1,241
31 to 60 days	**2,979**	34
61 to 90 days	**3,998**	7
	15,319	1,282

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

23. AMOUNTS DUE TO RELATED COMPANIES (continued)

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

	2012 HK$'000	2011 HK$'000
HK$		
Amounts due to fellow subsidiaries	**9,988**	69
Amount due to ultimate holding company	**206**	103
	10,194	172

24. BANK BALANCES AND CASH

These represent bank balances, cash and short-term bank deposit held by the Group. Bank balances carry interest at market rates ranging from 0.001% to 2.65% (2011: from 0.001% to 0.8%) per annum.

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

	2012 HK$'000	2011 HK$'000
HK$	**8,653**	34,836
RMB	**21,359**	6,515
GBP	**2**	7,249
CAD	**–**	87
EURO	**2**	45

25. TRADE PAYABLES

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

	2012 HK$'000	2011 HK$'000
0 to 60 days	**63,392**	57,625
61 to 90 days	**3,683**	4,101
Over 90 days	**4,327**	1,097
	71,402	62,823

The average credit period for purchase of goods is 30 to 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 currency of the relevant group entities are set out below:

	2012 HK$'000	2011 HK$'000
HK$	**8,136**	2,413
RMB	**1**	2

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

26. OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Accruals for operating expenses	**33,470**	25,256
Receipts in advance	**–**	310
Consideration payable for acquisition of subsidiaries	**3,500**	–
Others	**–**	515
	36,970	26,081

27. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Import loans, export loans and trust receipts loans	**60,508**	107,774
Mortgage loans	**17,929**	19,194
Bank loan	**17,393**	–
Bills discounted with recourse and debts factored with recourse	**783**	396
	96,613	127,364
Analysed as:		
– secured	**17,929**	19,194
– unsecured	**78,684**	108,170
	96,613	127,364
Carrying amount of bank loans that contain a repayable on demand clause and repayable*:		
Within one year	**79,977**	109,442
In more than one year but not more than two years	**1,331**	1,307
In more than two years but not more than three years	**1,369**	1,342
In more than three years but not more than four years	**1,407**	1,378
In more than four years but not more than five years	**1,449**	1,413
In more than five years	**11,080**	12,482
Total (shown under current liabilities)	**96,613**	127,364

* 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 (2011: HIBOR or LIBOR plus 0.85% to HIBOR plus 2.50% per annum). The range of effective interest rates of the Group's bank borrowings are 1.04% to 2.95% per annum (2011: 1.05% to 2.70% per annum).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

27. BANK BORROWINGS (continued)

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

	2012 HK$'000	2011 HK$'000
HK$	**41,114**	71,475

28. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives settled in net (not under hedge accounting):

		Assets		**Liabilities**	
	Notes	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Structured currency forward contracts	(i)	**1,208**	856	**1,686**	–
Foreign currency forward contract	(ii)	**17**	–	**–**	–
Foreign currency forward contract	(iii)	**–**	–	**271**	–
		1,225	856	**1,957**	–

notes:

(i) The Group entered into three US$/RMB structured currency forward contracts on 14 March 2011, 17 February 2012 and 15 March 2012 respectively which require the Group to sell US$ and to buy RMB monthly at exchange rates specified in the contracts ranging from 6.335 to 6.630. These contracts contain knock-out features that will automatically terminate the contracts in certain scenarios. As at 31 March 2012, the aggregate notional amount of the outstanding structured currency forward contracts were US$134,000,000 (2011: US$48,000,000), without considering the potential knock-out features which may result in early termination of the contracts. The maturity dates of these contracts range from 13 April 2012 to 10 December 2014.

(ii) The Group entered into a US$/EURO foreign currency forward contract on 27 February 2012 which require the Group to sell EURO and to buy US$ at exchange rates of 1.340. As at 31 March 2012, the notional amount of the outstanding foreign currency forward contract is EURO240,000. The maturity dates of the contract range from 29 February 2012 to 28 September 2012.

(iii) The Group entered into a HK$/RMB foreign currency forward contract on 31 May 2011 which requires the Group to sell RMB and to buy HK$ at an exchange rate of 1.2108:1. As at 31 March 2012, the notional amount of the outstanding foreign currency forward contract is approximately HK$17,708,000. The maturity date of the contract is 31 May 2012.

The fair values of the structured currency forward contracts are determined by using the Monte Carlos Simulation Model and the fair values of the foreign currency forward contracts are determined by using the Covered Interest Rate Parity Model.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

29. SHARE CAPITAL

	notes	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
As at 1 April 2010		1,000,000	10
Increase in authorised share capital	(i)	899,000,000	8,990
As at 31 March 2011 and 31 March 2012		**900,000,000**	**9,000**
Issued and fully paid:			
As at 1 April 2010		3	–
Issue of shares	(ii)	1,999,997	20
Issue of shares by capitalisation of share premium account	(iii)	318,000,000	3,180
Issue of shares at premium through initial public offering	(iv)	118,000,000	1,180
As at 31 March 2011 and 31 March 2012		**438,000,000**	**4,380**

notes:

(i) Pursuant to the written resolution of the Shareholders 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.

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

(iii) 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 capitalising an amount of HK$3,180,000 in the share premium of the Company.

(iv) 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 of HK$70,800,000, pursuant to the Prospectus.

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

30. DEFERRED TAXATION

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

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**1,899**	1,518
Deferred tax liabilities	**(1,586)**	(1,234)
	313	284

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

30. DEFERRED TAXATION (continued)

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 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
(Charge) credit to profit or loss	21	(300)	(142)	457	36
Exchange difference	–	–	(7)	–	(7)
At 31 March 2012	**755**	**–**	**(1,115)**	**673**	**313**

At the end of the reporting period, the Group had unused tax losses of approximately HK$6,768,000 (2011: HK$28,123,000) available for offset against future profits. Losses of approximately HK$18,629,000 expired at the end of the reporting period (2011: Nil). No deferred tax asset has been recognised in relation to such losses due to the unpredictability of future profit streams (2011: HK$26,924,000). The remaining 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.

31. 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 Employees. The Share Option Scheme will remain in force for a period of ten years from the date of the 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 the 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. Subject to specific approval 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme of the Company (continued)

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 contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board 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 a Share.

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

					Number of share options								
Category	Grant date	Vesting period	Exercise price	Exercisable period	Outstanding at 1.4.2010	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding at 1.4.2011	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.3.2012
			HK$		'000	'000	'000	'000	'000	'000	'000	'000	'000
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	–	–	5,350	–	–	–	**5,350**
Mr. Ng Tze On	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	5,350	–	–	5,350	–	–	–	**5,350**
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	–	–	21,000	–	–	–	**21,000**
	27.4.2011	27.4.2011 – 26.4.2013	0.844	27.4.2013 – 26.4.2016	–	–	–	–	–	37,000	–	–	**37,000**
Other employees (note ii)	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	–	10,200	–	(650)	9,550	–	–	(700)	**8,850**
	27.4.2011	27.4.2011 – 26.4.2013	0.844	27.4.2013 – 26.4.2016	–	–	–	–	–	5,920	–	(455)	**5,465**
					–	41,900	–	(650)	41,250	42,920	–	(1,155)	**83,015**

notes:

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

(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).

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

On 2 June 2010, the Company granted 41,900,000 share options to Eligible Employees. This grant was 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 the Modification increased the vesting period and was not beneficial to Eligible Employees, the Company only considered the vesting conditions imposed on grant date in determining the time period as to when the awards should be expensed in profit or loss (i.e. the share options were considered fully vested to Eligible Employees upon listing for accounting purpose).

On 27 April 2011, the Company granted 42,920,000 new share options to the Group's employees at an exercise price of HK$0.844 per share. The average closing price of the Company's shares for the five trading days immediately before the date of the offer of grant was HK$0.844 and the closing price of the Company's shares immediately before the date of grant was HK$1.10 and on the date of the offer of grant was HK$0.81. These options have a vesting period of two years and are exercisable for a period up to the 5th anniversary of the date of grant.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

32. ACQUISITION OF SUBSIDIARIES

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

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

In the opinion of the Directors, the Acquisition provides the Group an opportunity to expand its production capacity.

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

	notes	HK$'000
Consideration transferred		
Cash consideration paid		4,000
Consideration payable	(i)	3,500
		7,500
Fair value of assets and liabilities recognised at the date of Acquisition		
Non-current assets		
Property, plant and equipment		10,226
Current assets		
Inventory		74
Bank balance and cash		2,293
Trade receivables	(ii)	6,038
Deposits, prepayments and other receivables		4,166
Current liabilities		
Amount due to the Group		(11,687)
Trade payables		(1,869)
Other payables and accruals		(2,170)
		7,071
Goodwill arising on Acquisition	(iii)	429
Net cash outflow arising on Acquisition		
Cash consideration paid		4,000
Less: Cash and cash equivalents acquired		(2,293)
		1,707

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

32. ACQUISITION OF SUBSIDIARIES (continued)

notes:

(i) The amount was fully settled in April 2012.

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

(iii) The goodwill is attributable to the potential benefits to be derived from an additional offshore manufacturing outlet.

(iv) The revenue and loss for the year attributable to Global Trend and its subsidiary are neglectable. Had the Acquisition been effected on 1 April 2011, the revenue of the Group for the year would have been approximately HK$934,389,000, and the loss for the year would have been approximately HK$1,500,000. This pro forma information is for illustration purpose only and is not necessarily an indication of the Group's revenue and results of operations that would actually have been achieved had the Acquisition been completed on 1 April 2011, nor is intended to be a projection of future results. In determining the above pro forma revenue and results of the Group, the Directors calculated depreciation of property, plant and equipment based of the recognised amounts of property, plant and equipment at the date of the Acquisition.

(v) Acquisition-related costs of approximately HK$19,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the year and included in the "administrative expenses" line item in the consolidated statement of comprehensive income.

33. PLEDGE OF ASSETS

The Group has pledged property, plant and equipment with carrying amount of approximately HK$27,717,000 (2011: HK$28,732,000) to secure credit facilities granted to the Group.

34. COMMITMENTS

(i) Capital commitments

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated statement of financial position in respect of:		
– Acquisition of property, plant and equipment	**668**	3,823

(ii) Operating lease commitments

The Group as lessee

	2012 HK$'000	2011 HK$'000
Minimum lease payments paid under operating leases in respect of premises and warehouses during the year	**5,825**	4,646

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

	2012 HK$'000	2011 HK$'000
Within one year	**5,438**	4,612
In the second to fifth year inclusive	**13,484**	7,396
	18,922	12,008

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

35. CONDENSED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is a condensed statement of financial position of the Company as at 31 March 2012 and 31 March 2011:

	2012 **HK$'000**	2011 HK$'000
Investment in a subsidiary	**89,405**	89,405
Amounts due from a subsidiary	**83,583**	64,043
Tax recoverables	**1,500**	–
Others	**850**	208
	175,338	153,656
Tax payables	**–**	2,400
	175,338	151,256
Capital and reserves		
Share capital	**4,380**	4,380
Reserves	**170,958**	146,876
	175,338	151,256

36. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with related parties:

	notes	**2012** **HK$'000**	2011 HK$'000
VC Group			
Purchase of fabrics	(a)	**101,657**	36,467
Purchase of yarn	(a)	**4,458**	1,379
Utility expenses paid		**4,131**	3,674
Management fee expenses paid	(b)	**–**	400
Dividend paid		**–**	15,300
Rental income received		**483**	622
Other related party			
Purchase of apparel	(c)	**75,385**	81,536

notes:

(a) During the year, the Group purchased fabrics and yarn from VC Group. As at 31 March 2012, the Group also placed an amount of approximately HK$38,188,000 (2011: HK$52,429,000) at VC Group as a purchase deposit.

(b) Management fee arrangement was discontinued in September 2010.

(c) During the year, the Group purchased apparel from Kimberley. At 31 March 2012, the Group also placed an amount of approximately HK$13,276,000 (2011: HK$18,234,000) at Kimberley as a trade deposit.

Kimberley is controlled by a Director and is deemed to be a connected party to the Group under the Listing Rules.

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

(ii) Balances

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

(iii) Compensation of key management personnel

Directors and the employees included in the five highest paid individuals (Note 12) are identified as key management members of the Group, their compensation during both years are set out in Note 12.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

37. EVENT AFTER THE REPORTING PERIOD

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

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	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 (Cambodia) Manufacturing Limited	Cambodia	Registered capital US$1,000,000	–	100	Manufacture 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
Global Trend Investments Limited (note i)	BVI	Ordinary US$1,100,000	–	100 (2011: Nil)	Investment holding
Glory Time Limited	HK	Ordinary HK$100	–	70	Trading of garment products
Jerash Garments and Fashions Manufacturing Company Limited (note i)	Jordan	Ordinary JD50,000	–	100 (2011: Nil)	Manufacture 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	Manufacture of garment products
Sky Winner Investment Limited	HK	Ordinary HK$100	–	70	Trading of garment products and accessories
Top Star Limited	HK	Ordinary HK$2	–	100	Property holding
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	Manufacture of garment products

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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 %	Indirectly %	Principal activities
Jiangmen V-Apparel Manufacturing Ltd. (note ii)	PRC	Registered capital HK$30,000,000	–	100	Manufacture of garment products
Teelocker Limited (note ii)	PRC	Registered capital HK$5,000,000	–	70	Trading of garment products and accessories
福之源貿易(上海)有限公司 (note ii)	PRC	Registered capital 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 ii)	PRC	Registered capital HK$3,000,000	–	100	Provision of procurement services

notes:

(i) These companies were acquired during the year.

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

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.

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